ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 1 of 77

BECHTEL REPORT ACTION PLAN

SCE&G CONCERNS

1. **What disclosure to make to ORS**—Marion Cherry is aware of internal SCE&G emails and verbal communications revealing that ORS is aware that a project assessment was being done, and recent inquiries have from ORS to SCE&G checking on status of assessment report. On 02/10/16, Mike Baxley asked Al Bynum how SCE&G legal intended to handle this disclosure and received the answer that Al did not know, would have to check on this, and would be back in touch.
2. **What bond disclosures are required**—This same concern applies to Santee Cooper, disclosures should be similar.
3. **What mitigation effort is required to defend potential shareholder suit**—Now that SCE&G is specifically aware of problems raised in report, failure to act may result in O&D liability.

SANTEE COOPER PROPOSAL FOR USE OF REPORT

1. We will continue to cooperate, within the law, with SCE&G's efforts to avoid disclosure on the condition that SCE&G will agree to use the document as a template for project administration changes to be jointly decided, but most include:
   (a) The hiring of an EPC nuclear construction-experienced owners' engineer with authority to manage the project, Bechtel is not excluded from consideration;
   (b) An internal SCE&G project management change that will increase managerial staff and be led by a nuclear construction-experienced individual who is a direct report to Kevin Marsh whose sole responsibility is managing this construction project;
   (c) The Bechtel Report will be reviewed jointly by SCE&G and Santee Cooper leadership, section by section, together with Bechtel analysts, to determine specifically what administrative and operations changes will be made going forward with the project, effective immediately; and,
   (d) Each change will include an objective metric to determine compliance and success.

Business Plan

SANTEE COOPER ACTION STEPS

1. First step, determine from Al Bynum what ORS disclosures are contemplated, this will substantially drive all other disclosures.
2. No later than February 19 schedule a meeting of attorneys in Columbia, with George Wenick present, to develop a proposal for disclosures and distribution of the Report document, this meeting to produce a recommendation for meeting scheduled in Step 3 below.
3. No later than February 26, schedule an all day meeting in Columbia with business and legal teams and Bechtel analysts to review the report section by section to produce a plan for operations and administration for the project. This meeting will also consider the proposed disclosure plan prepared by the legal teams.
4. Prior to February 26 meeting, to avoid surprise, Lonnie will telephone Kevin with specifics of Santee Cooper's position with respect to management changes at project.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 2 of 77

[SCANA] - SCANA Corporation Fourth Quarter 2015 Earnings Conference Call/Webcast
Thursday, February 18, 2016 3:00 PM Eastern

Officers
Susan Wright; Director Financial Planning & IR
Jimmy Addison; CFO
Steve Byrne; SCE&G; COO

Analysts
Jim von Riesemann; Mizuho Securities
Mike Weinstein; UBS
Travis Miller; Morningstar
Stephen Byrd; Morgan Stanley
Andrew Weisel; Macquarie
Dan Jenkins; State of Wisconsin Investment Board
Jonathan Reeder; Wells Fargo
Michael Lapides; Goldman Sachs
David Paz; Wolfe Research
Paul Patterson; Glenrock Associates
Mitchell Moss; Lord Abbett

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator for today. At this time, I would like to welcome everyone to the SCANA Corporation conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, February 18th, 2016. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the conference call over to Susan Wright, Director of Financial Planning and Investor Relations.

Susan Wright: Thank you, and welcome to our analyst call. As you know, earlier today we announced financial results for the fourth quarter and full year of 2015.

Joining us on the call today are Jimmy Addison, SCANA's Chief Financial Officer, and Steve Byrne, Chief Operating Officer of SCE&G. During the call, Jimmy will provide an overview of our financial results, and Steve will provide an update on our new nuclear project.

After our comments, we will respond to your questions.

The slides and the earnings release referenced to in this call are available at scana.com.

Additionally, we post information related to our new nuclear project and other investor information directly to our website at scana.com. On SCANA's homepage, there is a yellow box containing links to the new nuclear development and other investor information sections of the website.

It is possible that some of the information that we will be posting from time to time may be deemed material information that has not otherwise become public.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 3 of 77

You can sign up for e-mail alerts under the investor section of scana.com to notify you when there is a new posting in the new nuclear development and/or other investor information sections of the website.

Finally, before I turn the call over to Jimmy, I would like to remind you that certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on slide 2. The Company does not recognize an obligation to update any forward-looking statements. Additionally, we may disclose certain non-GAAP measures during this presentation. And the required Reg G information can be found in the investor section of our website under webcasts and presentations.

I will now turn the call over to Jimmy.

Jimmy Addison: Thanks, Susan, and thank you all for joining us today. I'll begin our earnings discussion on slide 3. GAAP earnings in the fourth quarter of 2015 were $0.69 per share, compared to $0.73 per share in the same quarter of 2014. The decrease in earnings in the fourth quarter is mainly attributable to the negative impact of weather on electric margins, as well as on gas margins in our Georgia business.

Lower gas margins also reflect $0.07 per share of loss margins due to the sale of CGT early in the year. These losses were partially offset by higher electric margins due primarily to a Base Load Review Act rate increase and customer growth, as well as lower depreciation expense as a result of a new depreciation study, and lower O&M expense due primarily to labor savings and the impact of the sales of CGT during the first quarter of 2015.

Note, too, that abnormal weather decreased electric margins by $0.14 per share and $0.02 per share versus normal in the fourth quarters of 2015 and 2014, respectively.

Please turn to slide 4. Earnings per share for the year ended December 31, 2015 were $5.22 versus $3.79 in 2014. The improved results are mainly attributable to the net of tax gains on the sales of CGT & SCI, higher electric margins due primarily to a Base Load Review Act rate increase and customer growth, as well as lower depreciation expense in O&M as described earlier.

These were partially offset by lower electric margins due to weather, lower gas margins primarily due to loss gas margins of $0.23 per share resulting from the sale of CGT and the impact of abnormal weather on the Georgia business and normal increases in CapEx-related items, including interest, property taxes, and share dilution.

Although electric margins reflected a negative $0.13 per share due to weather year over year, abnormal weather increased electric margins in both years, accounting for $0.08 per share in 2015, compared to $0.21 in 2014.

Slide 5 shows earnings on a GAAP-adjusted weather-normalized basis. Earnings in the fourth quarter of 2015 were $0.83 per share, compared to $0.75 per share in the same quarter of 2014. Full-year earnings were $3.73 per share in 2015, compared to $3.58 per share in the prior year.

As a reminder, GAAP-adjusted weather-normalized EPS excludes the impact of abnormal weather on electric margins and the net of tax gains on the sales of CGT and SCI from the first quarter of 2015.

Abnormal weather on gas margins is not adjusted in this measure, as gas margins are weather-normalized for the North and South Carolina businesses, and the direct impact of abnormal weather on the Georgia business is generally insignificant. However, the extremely mild weather in the fourth quarter of 2015

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 4 of 77

was seen in that business' standalone results, as I'll discuss later.

Now on slide 6, I'd like to briefly review results for our principal lines of business. On a GAAP basis, South Carolina Electric and Gas Company's fourth quarter 2015 earnings were down $0.01 per share compared to the same period of 2014.

The decrease in earnings is due to lower electric margins due to abnormal weather, and higher expenses related to our capital program, including interest expense and property taxes. These decreases more than offset increases due to the continued recovery of financing costs through the BLRA, customer growth in both the electric and gas businesses, the application of the previously mentioned new depreciation rates, and lower O&M due primarily to labor savings.

For the full year 2015, earnings were higher by $0.12 per share due to increased electric margins primarily from the continued recovery of financing costs through the BLRA and customer growth, improved gas margins due to customer growth, and the application of new depreciation rates. These items were partially offset by the effect of abnormal weather on electric margins and higher expenses related to our capital program, including interest expense, property taxes, dilution, and continued increases in depreciation, exclusive of the impact of the depreciation study.

Although weather in both years contributed favorably to electric margins versus normal, 2015 was milder than 2014, with weather contributing $0.08 of margin versus normal in 2015, compared to $0.21 in 2014.

PSNC Energy reported earnings of $0.17 per share in the fourth quarter of 2015, compared to $0.16 per share in the same quarter of the prior year, primarily due to higher margins from customer growth. For the year ended December 2015, earnings are $0.38 per share, compared to $0.39 per share in the prior year.

SCANA Energy, our retail and natural gas marketing business in Georgia, showed a decrease in fourth quarter earnings of $0.06 per share in 2015, over the same quarter of last year, primarily due to lower throughput and margins attributable to the extremely warm weather during the fourth quarter of 2015, as compared to 2014, partially offset by lower bad debt expense.

For the 12 months ended December 31, 2015, earnings were down $0.05 per share compared to the same period of 2014, due to the same drivers as the quarter.

On a GAAP basis, SCANA's corporate and other businesses reported a loss of $0.01 per share in the fourth quarter of 2015, compared to $0.03 in the comparative quarter of the prior year. Lower interest expense at the holding company and increased margins at our marketing business were primarily offset by foregoing earnings contributions from the subsidiaries that were sold during the fourth quarter of this year.

For the 12-month period, these businesses reported earnings per share of $1.36 in 2015, compared to $0.01 loss in 2014. Excluding the net of tax gains on the sales of CGT and SCI of $1.41 per share, GAAP-adjusted weather-normalized EPS was down $0.04 from the prior year, due primarily to foregoing earnings from the sale of the businesses earlier this year, offset by lower interest expense at the holding company and increased margins in our marketing business.

I would now like to touch on economic trends in our service territory on slide 7. In 2015, companies announced plans to invest over $2 billion with the expectation of creating over 6,000 jobs in our Carolinas territories.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 5 of 77

The Carolinas continue to be seen as a favorable business environment, and we're pleased by the continuous growth in our service territories.

At the bottom of the slide, you can see the national unemployment rate, along with the rates for the three states where SCANA has a presence and the SCE&G electric territory. South Carolina's unemployment rate is now at 5.5%, and the rate in SCE&G's electric territory is estimated at 4.7%.

At the top of slide 8, you can see the South Carolina employment statistics as of December 2015 and 2014. Over the course of 2015, South Carolina's unemployment rate has dropped over a percentage point from its level at the end of 2014.

December of 2015 also marked all-time highs for the number of South Carolinians employed and in the labor force. Of particular interest in attesting to our state's strong economic growth, almost 80,000, or 3.8% more South Carolinians are working today than a year ago. Said another way, had the labor force not increased during 2015, the unemployment rate would be approximately 3%.

The expansion of the labor force is simply evidence of the confidence of some of the workforce to reenter the market and the positive migration to the state of South Carolina.

As depicted on the bottom of the slide, United Van Lines recently released its annual mover study for 2015, which tracks migration patterns state to state. For the third consecutive year, South Carolina finished ranked second in terms of domestic migration destinations, corroborating our realized customer growth statistics. North Carolina has also been ranked in the top five for the last three years.

Slide 9 presents customer growth and electric sales statistics. On the top half of the slide is the customer growth rate for each of our regulated businesses. SCE&G's electric business added customers at a year-over-year rate of 1.5%.

Our regulated gas businesses in North and South Carolina added customers at a rate of 2.5% and 2.7%, respectively. We continue to see very strong customer growth in our businesses and in the region.

The bottom table outlines our actual and weather-normalized kilowatt hour sales for the 12 months ended December 31st, 2015. Overall, weather-normalized total retail sales are up 1.3% on a 12-month ended basis.

In conjunction with the continued improvement of economic conditions in South Carolina, the past two quarters have shown an accelerating improvement in usage in the residential market.

And now please turn to slide 10, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $9.6 billion dollars. As denoted in the two shades of blue, approximately 86% of this rate base is related to the electric business.

In the block on the right, you will see SCE&G's base electric business, in which we're allowed a 10.25% return on equity. The earned return for the 12 months ended December 31st, 2015 in the base electric business is approximately 9.75%, meeting our stated goal of earning a return of 9% or higher, to prevent the need for non-BLRA-related base rate increases during the peak nuclear construction years.

We continue to be pleased with the execution of our strategy. As a reminder, we're allowed a return on equity of 10.25% and 10.6% in our LDCs in South and North Carolina, respectively. In response to the normal attrition and the earned returns in our North Carolina business, yesterday, PSNC notified the North Carolina Utilities Commission of its intention to file a rate case. We plan to file the detailed case

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 6 of 77

within the next 60 days, where more clarity will be provided.

As you will recall, in South Carolina, if the earned ROE of the gas business for the 12 months ending in March falls outside a range of 50 basis points above or below the allowed ROE, then we will file to adjust rates under the Rate Stabilization Act in June.

Slide 11 presents our CapEx forecast. This forecast reflects the Company's current estimate of new nuclear spending through 2018, and has been updated to reflect what was filed in our quarterly BLRA report, which also reflects the amended EPC that was announced in October of 2015.

At the bottom of the slide, we recap the estimated new nuclear CWIP from July 1 through June 30, to correspond to the periods on which the BLRA rate increases are historically calculated.

Slide 12 presents the transition payments information and an expected time frame for a filing with the Public Service Commission of South Carolina. Once these events are complete, we will update the CapEx schedule and the corresponding financing plan.

And now please turn to slide 13, to review our estimated financing plan through 2018. As a reminder, we have switched to open market purchases instead of issuing new shares, to fulfill our 401(k) and DRIP plans, at least until we have fully utilized the net cash proceeds from the sales of CGT and SCI.

We do not anticipate the need for further equity issuances until 2017. And again, the election of the fixed price option would like change planned equity issuances after 2016.

While these are our best estimates of incremental debt and equity issuances, it is unlikely that these issuances will occur in the exact amounts or timing as presented, as they are subject to changes in our funding needs for planned project expenses.

We continued to adjust the financing to match the related project CapEx on a 50/50 debt and equity basis.

On slide 14, we are reaffirming our 2016 GAAP-adjusted weather-normalized earnings guidance is $3.90 per share to $4.10 per share, with an internal target of $4 per share.

We continue to be cautiously optimistic about our long-term view, and are increasing the lower band of our long-term growth rate from 3% to 4%. We're also resetting our base year to 2015 GAAP-adjusted weather-normalized EPS of $3.73. Therefore, our new GAAP-adjusted weather normalized annual growth guidance target will be to deliver 4% to 6% earnings growth over the three to five years, using a base of 2015 GAAP-adjusted weather-normalized EPS of $3.73.

This increase represents our projected earnings momentum driven by our BLRA filings, our stated goal to manage base retail electric returns, and our view of the economy, balanced with our continued assumption of the impacts of energy conservation and efficiency standards.

I also wanted to mention that earlier today we announced an increase of $0.12 in our annual dividend rate for 2016, to $2.30 per share, a 5.5% increase.

We continue to anticipate growing dividends fairly consistent with earnings, while staying within our stated payout policy of 55% to 60%.

And finally, on slide 15, we are very pleased to report that in late December, we successfully completed the syndication of an expanded and extended credit facility. The additional liquidity is important to our

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 7 of 77

nuclear construction project, and accelerated CapEx spending at PSNC. The committed lines of credit now total $2 billion.

I would like to thank our banks for their enthusiastic support of our liquidity needs, and, therefore, the support of our nuclear expansion plans. We are pleased that we continue to receive an excellent response for our nuclear construction from our equity and debt investors, as well as our banks.

And I'll now turn the call over to Steve to provide an update on our nuclear project.

Steve Byrne: Thanks, Jimmy. I'd like to begin by addressing the status of the settlement with the Consortium.

Slide 16 presents the outline we have shown in previous discussions as a recap. As you may be aware, Westinghouse closed on the transaction to acquire Stone and Webster from CB&I at the end of December and [fully] began work as a subcontracted construction manager at the new nuclear construction site on January the 4th.

We continue our analysis of the fixed price option and will include input from Fluor as they progress. As a reminder, we have until November 1st of this year to unilaterally elect the fixed price option or not, and we plan to take as much time as needed to ensure that we make the most prudent decision.

Regardless of which scenario we choose, once a decision has been made, we will file a petition with the Public Service Commission to amend the capital costs and schedule for the project.

As Jimmy said earlier, we expect to reach a conclusion in the second quarter.

Moving on to some of the activities at the new nuclear construction site, slide 17 presents an aerial photo of the site from September of 2015. I've provided this photo to give you a view of the layout of the site. And I've labeled both units 2 and 3, as well as many other areas that make up what we call the tabletop.

On slide 18, you can see a picture of the unit 2 nuclear island. In this picture, you can see module CA20 on the right-hand side of the slide, [aloft with] containment vessel ring number 1, which was placed on and welded to the lower bowl. Several of the large structural modules have now been placed inside the unit 2 containment vessel.

As we will discuss shortly, you can also see the beginnings of the shield building, as three courses have now been placed.

Slide 19 shows a picture of the unit 3 nuclear island, module CA04 was placed inside the containment vessel lower bowl back in June, and the auxiliary building walls continue to (inaudible - technical difficulty).

As you will see shortly, we are making progress with the fabrication and placement of containment vessel structural modules on both units.

Slide 20 presents a schematic view of the five large structural modules that are located inside the containment vessel. I've shown this schematic numerous times before because this expanded view gives you a better feel for how CA01 through 05 fit spatially inside of the containment vessel.

As you may know, we've now placed CA01, CA04, and CA05 for unit 2, and CA04 for unit 3.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 8 of 77

Slide 21 shows a picture of the unit 2 CA02 module. CA02 is a wall section that forms part of the [in] containment refueling water storage tank. As mentioned last quarter, CA02 is now structurally complete and awaiting installation.

Slide 22 shows a picture of the unit 2 CA03, which is the west wall of the in containment refueling water storage tank. 15 of CA03's 17 sub-modules are onsite and 12 are now on their assembly platform.

Slide 23 shows a picture of the unit 3 module CA05. This module comprises one of the major wall sections within the containment vessel.

Fabrication on the unit 3 CA05 has been completed, and it has been staged outside the modular assembly building, or MAB.

Slide 24 shows a picture of the unit 3 CA20, which is the auxiliary building module that will be located outside and adjacent to the containment vessel. 68 of the 72 sub-modules are onsite, and 20 of those sub-modules have been upended on the construction platform or platen for fabrication in the MAB.

Slide 25 shows a picture of the beginnings of the unit 3 module CA01. Module CA01 houses the steam generators and the pressurizer and forms a refueling canal inside the containment vessel. Currently, we have 15 of 47 sub-modules onsite, and three of those sub-modules are upright and being welded together in the MAB.

Slide 26 shows the progress of the placement of the unit 2 shield building panels. The first six-panel course was placed during the first half of 2015. In the fourth quarter of 2015, the second six-panel course was set on top of the first course. And then at the beginning of this month, we placed the third six-panel course.

As the shield building panels are placed and welded together, concrete is poured inside the panels to create the shield building. Concrete has been placed in the first two courses.

Slide 27 shows a couple of pictures from the unit 2 turbine pedestal concrete placement from December of 2015. Overall, more than 2,300 cubic yards of concrete was placed over the course of about 20 hours.

Slide 28 shows a picture of a single phase for the 230 ton unit 2 main transformers. There are four such transformers for each unit. Here you can see one of the four being rigged for placement adjacent to the unit 2 turbine building.

Each unit will have these four plus six other transformers. All 10 have been placed in unit 2, and all 10 have been received for unit 3.

On slide 29, you see the new nuclear CapEx, actual and projected, over the life of the construction. This chart shows CWIP during the years 2008 to 2020, reflecting the Q4 of 2015 BLRA quarterly report that we filed in February. As a reminder, the BLRA report now reflects the cost from the October 2015 amended EPC.

As you can see, we are currently in the middle of the peak nuclear construction period. The green line represents the related actual and projected customer rate increases under the BLRA, and is associated with the right-hand access.

Please now turn to slide 30. As we mentioned during our third-quarter call in September, the PSC approved a rate increase of $64.5 million. The new rates were effective for bills rendered on and after

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 9 of 77

October 30th.

Our BLRA filings for 2016 are shown at the bottom of the slide. As you can see, we recently filed our quarterly status report for the fourth quarter, and our next quarterly update will be filed in mid-May. Not depicted here, [is] the update filing I addressed earlier, as the timing of that petition isn't yet known.

Finally, I wanted to mention the results of an analysis performed at the direction of the South Carolina Office of Regulatory Staff. As you may be aware the ORS contracted an independent accounting firm to determine whether the revised rates provision under the Base Load Review Act is cost beneficial to SCE&G customers, consistent with our claims.

This independent attestation concluded in January, and reaffirmed the significant cost advantage of the BLRA as envisioned when the law was originally past. This report is available on the ORS' website, and a link to the independent accounting firm's report can be found in the regulatory documents section of the nuclear development area of SCANA's investor website.

That concludes our prepared remarks. We'll now be glad to respond to any questions you might have.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. Jim von Riesemann of Mizuho Securities.

Jim von Riesemann: Couple questions. On the 4% to 6% growth rate, can you just elaborate again on how that's calculated? How we should think about the out years? Because if somebody were to do a linear analysis, 2016 would be less than the 4%, if you're just growing 2016 versus 2015. Did that make sense or have I been on too many conference calls today?

Jimmy Addison: The first part of your question made sense. So how we calculate it is the average of the annual increases over that three- to five-year period. So we're comfortable that that average growth in our plan today is at that 4% to 6% level.

Now, the second part, I'm not sure I followed.

Jim von Riesemann: Yes, I don't think I followed it either. But it's just really to get to 2016 versus 2015, because you're not on a 4% plane year over year, especially with your guidance at your current target of four bucks.

Jimmy Addison: You're saying it's above it, right?

Jim von Riesemann: Yes.

Jimmy Addison: Yes. And so, but that's why we consider it over the entire period, not just any one year. So every year wouldn't necessarily be within that cone, but overall the average would be.

Jim von Riesemann: Okay. That I understand. So the question then becomes, with the fixed price option and your updated CapEx on the slides, how much of that is reflective -- is anything reflected in, I guess either your growth rate or for the fixed price option in your CapEx or even your earnings growth rate?

Jimmy Addison: So the CapEx is based upon the amended agreement. It does not include the fixed price option. And that's what our growth rate is based upon. I'm not sure that if we were to adopt that option

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 10 of 77

that it would have a material impact on the earnings growth rate. But if we do later this year and if it's approved, we'll certainly consider that.

Jim von Riesemann: Okay. And then I guess I have a question on bonus depreciation. Previously, you had said it was about $75 million a year. Have you updated those numbers, given the tax extenders from December?

Jimmy Addison: Yes. That still is a good reference of $75 million a year in the base business. And, of course, what's different now is the five-year view.

Jim von Riesemann: Right.

Jimmy Addison: We've not had that in the past. So there's a, obviously, the potential for the new nuclear units themselves to qualify for bonus depreciation, although not at the 50% level because it phases down to 40% and 30% in 2018 and 2019, respectively. So that's the only thing that's outside that $75 million estimate.

Jim von Riesemann: Okay. And then I guess the last question really maybe is for Steve. How, if you think about all the components to build the two summer units, how much of them are still, say overseas and still need to be shipped to the place? Or, I mean, are most of the components onsite at this point in time?

Steve Byrne: A majority of the major components are onsite. I would say about 85%. The remainder would be either overseas or domestic production. Of the major components left outstanding that would be overseas, let's see, one of the -- we've got two steam generators at Doosan. One of those is being shipped, the other one is nearing completion.

I think all the turbine generator stuff is onsite. Condenser stuff's onsite. Containment's onsite. We've got a couple of passive heat exchangers that are being reworked in Italy. Those should be finished shortly. We have coolant pumps. Those are domestic, but those won't show up until 2017. That's most of the major stuff.

Now, when we get into sub-modules, we still have some of the sub-modules for the structural modules, particularly for the trailing unit, unit 3, that are still in fabrication. And so, for example, CA01 is being fabricated between Toshiba in Japan and IHI in Japan. There are 47 different sub-modules that are associated with that unit. 15 have been delivered, 15 of the 47. Seven have shipped. It just takes awhile for them to get here. And so 25 are yet to be shipped. So we've got almost half of those are either onsite or on the ocean.

So that, I think if I were to categorize it, 85% of the major equipment's onsite, and of the remaining stuff, a lot of it is physically complete. Some of it is waiting to be shipped. Some of it's on the ocean now on its way to our site.

Jim von Riesemann: Perfect. Thank you.

Operator: Julien Dumoulin-Smith of UBS.

Mike Weinstein: This is Mike Weinstein. Couple of questions. One, did you say what was causing the drop-off in industrial growth on weather-adjusted?

Jimmy Addison: No, I really didn't address that. It's not a significant change, just showing down there

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 11 of 77

about a half a percent.

The one thing that makes it difficult to really address this quarter is, as you'll probably remember from the national news is we had a historic flood here in central South Carolina. And there was extensive impact on our industrial customers, everything from as simple as logistics of workers not being able to get to plants to industrial intakes malfunctioning because of the extremely high water to impacts on rail.

So it's really difficult to quantify that. So I'm not too alarmed by one period here of slightly down.

Mike Weinstein: Okay. And what's causing the steep drop in SCE&G's, on the gas side, on its ROE versus PSNC, which when you look back at the September numbers it was almost no change in North Carolina, but South Carolina really seems to have come off.

Jimmy Addison: Yes. It's a function of, obviously, the rate base additions as well as the operating costs, et cetera, involved in the units, and as well as the timing. I believe the South Carolina number is as of September 30, and the PSNC number is, I believe at 12/31. We just haven't filed the South Carolina report yet, so we haven't updated that one.

Mike Weinstein: That makes sense. And on the nuclear side, the CapEx looks like it's about $200 million higher in the peak spending years, 2017 and 2018. And it seems to flow through right into the CWIP.

And I'm just wondering, does that mean that -- does that result in higher BLRA rate increases going forward? And is that as a result of the new -- that's all as a result of the settlement, right?

Jimmy Addison: Yes. So the CapEx numbers haven't changed at all from what we presented at the third quarter. And this assumes just the amended agreement, not the fixed price option. All that's changed is the timing of when they occur in this presentation, Michael.

Mike Weinstein: Got you.

Jimmy Addison: So that's really the only adjustment.

Mike Weinstein: Okay. It's just a timing issue, okay.

Jimmy Addison: Yes. Yes.

Mike Weinstein: All right. And I guess that's it. Thank you.

Operator: Travis Miller of Morningstar.

Travis Miller: You mentioned the second quarter wanting to make the decision then on fixed price option. Wonder if you could kind of give me a timeline and thoughts on why you wouldn't wait until November. And then secondly, if you do make that decision in the second quarter, what's the regulatory schedule look like from that point?

Jimmy Addison: Let me start and then let Steve jump in. We said that it's likely to be Q2. That's our best judgment. But Steve also said in the opening comments that we have until November. And if we think we need all that time, we will take all that time.

So we're just giving you our most likely estimate of when we think we'll have a good assessment of

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 12 of 77

Fluor's input, et cetera, to be able to make that call. And at the point that we feel like we have that and have our information together, we'll make a filing with the Public Service Commission, and then they have their statutory six months to rule on that. And ballpark, sometime in the middle of that six months we would be before them to present our information to ask for their support.

Steve Byrne: Yes. Travis, this is Steve. One train of thought would be take as long as you've got to make the decision, which we fully understand. But we did, in an ex parte fashion, brief our Public Service Commission on the two options that we would have going forward. And what we told them was as soon as we were complete with our evaluation, we would come back to them with the option that we selected. So we intend to do that.

One complicator that you might not see that makes my life a little more difficult is that in the interim, I have to sort of keep two sets of books. And so I have to base assumptions on both we're exercising the fixed price option and we're not exercising the fixed price option. And if we're going to exercise one or the other, it's a lot simpler for me if I can drop the other set of books.

So it takes all kinds of commercial issues off the table and it just makes our lives a lot easier.

Travis Miller: Got it. So you briefed the regulators. Has there been any conversation or interaction with interveners or other groups that you think might have opposition to, say the fixed price option or at least a preference to one or the other?

Steve Byrne: Yes, we've done a number of briefings, some of which were public. We did a briefing for the legislature, for example. We've done briefings with the Governor's Nuclear Advisory Council. And some of the interveners were present during the ex parte briefing we had last November with the Public Service Commission. But there was no interaction with them at that point in time.

So we have and will continue to have some interactions, but we don't know who all the interveners might be until we file something, and then they're given the opportunity to intervene.

So it's not a surprise. But we won't have any more conversation with our Public Service Commission until we make a filing. We're not allowed to have any conversation with them about the topic.

Travis Miller: Okay, great. Thanks so much.

Operator: Stephen Byrd of Morgan Stanley.

Stephen Byrd: Wanted to just talk about Toshiba for a moment. Toshiba's been in the press of late. And at a high level just wanted to understand, as you think about their credit position and sort of safeguards and protections for you, how should we think about ways that you can sort of receive protection against potential deterioration in credit quality at Toshiba?

Jimmy Addison: Yes. Well, let me just talk briefly about some contract provisions in a conceptual form, then I'll let Steve talk some operationally about the project.

So we do have some security provisions in the contract if their ratings fall below a certain grade. And they have triggered those now, and we have initiated that security.

And I'm, for confidentiality reasons, I'm just not going to get into the details of what that is, how much that is, et cetera. But it's essentially meant to handle any kind of payment obligations were they not to be able to pay subcontractors, things of that nature, as well as performance obligations if they don't live up to

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 13 of 77

their terms of the contract.

So that's kind of the financial construct that's in the contract that we have pulled the trigger on. I'll just let Steve talk a little about the project in itself.

Steve Byrne: Yes. We've been tracking the situation at Toshiba. Obviously, they're a large company, and I think the Japanese government would be loath to see them fail. But they have submitted, obviously, a restructuring plan. We were heartened to see in the restructuring plan that they intend to stay in the energy business. While they do intend to shed some of their business lines, they're going to stay in the energy business, which would include nuclear. So that's a good thing for us.

Also, we are glad to see that with the significant changes in leadership and the board at Toshiba, that the person that we have been largely dealing with in the nuclear arena survived that turmoil. And again, we think that's a good thing.

And I do believe that Toshiba has been successful at securing some debt from some large Japanese banks just recently.

Bankruptcy also doesn't necessarily mean that things would stop. Now, there are various kinds of bankruptcies. Not that we think it'll get to that point. But it doesn't necessarily mean things at the site will stop.

In addition to the sort of the financial protections that Jimmy just alluded to, we did actually forecast a situation like this back when we were negotiating the EPC contract, not necessarily that we thought that the larger corporation, Toshiba, might have financial difficulties, but we were really focusing on perhaps the smaller corporations like Westinghouse and/or Shaw might have some financial difficulties.

So we do have in the contract some provisions to escrow intellectual property such that if there were to be a cessation of operations by the contractor, that we could finish the plant on our own.

Stephen Byrd: That's really helpful. And just shifting over to the Sandman project in China. Just wondered if you had any updates there in terms of the status of Sandman.

Steve Byrne: I don't have any recent updates on Sandman. We have a team that's supposed to go over there, I think it's in the April or May time frame. So we'll get some more firsthand information then. My understanding is that we still anticipate that Sandman 1 will come online sometimes this year.

Stephen Byrd: Great. Thank you very much.

Operator: Andrew Weisel of Macquarie.

Andrew Weisel: Two questions. First one is about the new long-term growth rate. Could you maybe talk outside of weather or a major pickup in the economy what are some factors that potentially take you to or above the high end of that 6% level?

Jimmy Addison: Yes. I think the largest kind of at-risk variable from a positive or negative standpoint, Andrew, is probably what happens with usage on the electric side unrelated to weather. So what goes on in that area? I mean, it's obviously related to the economy. But what do people do with everyday electric consumption?

And that's been very difficult for our industry to model the last several years. It flattened out and was

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 14 of 77

slightly up for us in 2015. That surprised us in a good way a little. But that continues to be the most difficult thing for us to model.

Andrew Weisel: Anything on the capital side? Obviously, the nuclear CapEx estimates are constantly being adjusted. But anything in the base business that might get you, like I said, toward or above the high end or potentially anything that could go wrong that might take you below that low end?

Jimmy Addison: No, we feel pretty good about our CapEx plan. I mean, setting aside the new nuclear, as you said in your question, which has the dynamic adjustment due to the project.

We're doing in the base business the things we need to do to have safe, reliable power, but we're not doing a great deal of things beyond that in order to maintain. No base rate increases during this period or pressure on returns if we were not to have increases.

PSNC's probably the biggest story outside of that with the growth in that area, particularly in the transmission area. And, of course, we said earlier that we filed yesterday a notice of a pending rate increase there. But that is fairly well laid out. That could change some based upon the price of steel and compression and that kind of thing over time, but I don't expect it to vary a great deal.

Andrew Weisel: Okay, great. And my other question is about the dividend. Obviously, a bigger increase today than what we've seen in the past few years. And that takes you right to the midpoint of your targeted payout ratio if we assume the midpoint of the EPS guidance.

Going forward, should we expect the dividend to grow more at that kind of 5% range, which is the midpoint of the EPS growth? Or would it be more likely to revert back to the 3% or 4% range like what we've seen in the past several years?

Jimmy Addison: Yes. If you'll bear with me, let me give you 30 seconds of history here. When the recession hit and earnings slowed a great deal, we got outside of our payout policy of 55% to 60%. We got up close to 65%, 63% to 65%.

We continued to grow dividends during those next few years, but we grew them at about half the rate of earnings growth so that we could get back within policy. And now we're comfortably back within the policy, and our position at this point is we expect to grow those dividends fairly consistent with earnings growth.

Andrew Weisel: Very good. Appreciate the details.

Operator: Dan Jenkins with the State of Wisconsin Investment Board.

Dan Jenkins: So first of all, I was just curious on your financing plan for 2016. You show about a billion for SCE&G. I was wondering if you could give any insight as to the timing. Would that be like throughout the year or first half, second half?

Jimmy Addison: Yes. So today we would model in roughly half of it about midyear and half of it near the end of the year. That is definitely going to need to be dynamically adjusted to which option we end up electing and the payment schedule that goes along with that that we've talked about on the last call, as well as briefly on this one. So that's really going to cause adjustments in that schedule.

So I'm fairly sure it will adjust from this. But today's best guess is about half midyear and about half near the end of the year.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 15 of 77

Dan Jenkins: Okay. Thanks. Going to the nuclear unit, and in particular I looked through the report you just filed for the fourth quarter report. And in particular, it mentioned how the shield building is one of the primary critical path items that potentially could, I guess some of those modules you're having trouble with or whatever.

So I was wondering if you could expand on that and what the timing is that you think that that path item will be able to be resolved.

Steve Byrne: Yes. I think the shield building items, when you say resolved, I think we've resolved most of our shield building issues there. The biggest issue that we had, really, was that they anticipated that the fit up of this first-of-a-kind item, taking these individual panels that come from Newport News Industrial, or NNI, and then putting them together at the site, welding them up within the tolerances and then filling them with concrete was going to be very difficult.

We've done a lot of mockups. We received probably half the panels for the first unit and maybe 25% for the second unit. The placement so far, I could characterize it as going a little better than we had anticipated. And so we've got 16 courses of steel panels that go in a ring that we eventually will fill with concrete. We placed the first three of those courses already. The first two have been welded, fit, and the concrete in. And the third course we recently placed, so we're welding that. But again, that's going, I think, better than we had anticipated.

So now our focus, since that is the critical path, is ensuring that we get the sub-modules, the pieces, the panels, from NNI in a timely fashion. And so Westinghouse has taken over the contract that CB&I used to have, so that's now exclusively a Westinghouse to NNI deal, which we think is good.

And then the delivery schedule looks to be good. And they're negotiating a mitigation strategy. And, in fact, I'll be going to NNI tomorrow to talk through the mitigation strategy that will accelerate some of those panel deliveries to the site.

So I think the shield building, right now it's going pretty well. But it is our focus area because it is critical path.

Dan Jenkins: Okay. And then similarly, it talks a little bit about secondary critical paths being the CA20 and CA1 for unit 3, are those like parallel paths to the shield building issues or are they dependent on the shield building path?

Steve Byrne: No, Dan, not necessarily dependent on the shield building. But they would come in right in line after the shield building. So once we demonstrate proficiency with shield building, then we focus on whatever's next.

So we're always looking at primary, secondary, tertiary, critical paths. So the secondary critical path is, as you mentioned, that CA20 module for the trailing unit, unit 3. We've already set CA20 for unit 2, obviously. And we did come up with a interesting mitigation strategy for the CA20 module, whereas, on the first unit, on unit 2, we set it as one piece.

On the second one, we're going to set it in two halves. And so that will save us probably a couple of months in the fabrication. And that's important because it actually forms a part of the concrete formwork for the rest of the plant. So it's important that we set that, half of that, and use it as a form, concrete, while we're working on the second half, then set the second half.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 16 of 77

So as of right now, I thought that that was a -- the team onsite came up with that plan. We're executing on that plan. We ought to set that first half CA20 for the second unit in Q1, late Q1, and then we should set the second half of CA20 for unit 3, probably early in Q2.

Dan Jenkins: Okay. And somewhat related to that, it mentions on - I don't know if you have the report in front of you - on page 15 of it, in the middle of it, kind of related to the CA1 and CA20, that the current schedule to date doesn't support the construction schedule for the units.

And so how, I guess how is that being impacted, the overall schedule? How should we think about that? How much can that be mitigated?

Steve Byrne: I think a good example of mitigation is the plan that we came up with to split the CA20 module into two halves. And CA01, we're looking at similar things there. We're looking to expedite the delivery of the sub-modules from IHI and Toshiba in Japan. Toshiba obviously has all the incentive in the world under the agreement that we negotiated in October to expedite whatever they can. So they both have, since they're the parent company of Westinghouse, so they're both penalties if they don't do things on time, and there are significant bonus incentives if they do finish on time. So they've got as much as incentive as we could possibly put into an agreement.

So we'll look to accelerate the schedule for the modules coming out of Japan for CA01, and we're implementing a strategy to split CA20, set it in two halves instead of one large piece, the CA20 portion.

Dan Jenkins: Okay. Thank you.

Operator: Jonathan Reeder of Wells Fargo.

Jonathan Reeder: One quick point of clarity. So if Fluor's assessment of the schedule kind of comes back that the current schedule isn't kind of feasible, how does that work then? Do you have to then negotiate another amended EPC contract before you would file that with the Commission so that kind of the benchmarks, the milestones are set appropriately in the next kind of approved BLRA?

Steve Byrne: Jonathan, I think the short answer is it depends on how far out they are. If you remember, with our last order from the Public Service Commission, we had a plus 18 months for each of the milestones. So as long as we stay within that 18 months, we don't need to go back in on the schedule. So really, it's going to depend on how far.

So what I more envision is that Fluor might come back and say, in order to get the schedule on time, you have to accelerate this, you might have to bring in more resources than we have in the current plan. So where I think we're going to peak at, say 4,000 craft employees, they might come back and say, you need to get 4,500 craft employees. That kind of an input might drive us towards opting for the fixed price because more people mean more dollars.

Jonathan Reeder: Right. So that would impact, I guess, the non-fixed price option and probably lend more credibility toward selecting the fixed price. That's the way to think about it?

Steve Byrne: Correct.

Jonathan Reeder: Okay. Thank you.

Operator: Michael Lapides of Goldman Sachs.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 17 of 77

Michael Lapides: A couple of nuts-and-bolts questions on the gas side of the business. First of all, at PSNC, if you file later this spring, when would rates go into effect? I forget. Is that a 6- or a 12-month process in North Carolina?

Jimmy Addison: Six.

Michael Lapides: Okay. So rates would go in no later than like January 1, next year. And that's a historical-looking rate case there or can you do a forward or a big known un-measureable?

Jimmy Addison: It's a bit of both. It's a base historical test year. But you can kind of update for CWIP, as well as cap structure kind of concurrent with the information being presented and any settlement being discussed or hearing before the Commission.

Michael Lapides: Got it. And on the gas side at SCE&G, when would you file under the Rate Stabilization Act to get a revenue increase? When does that normally happen? And when would that go into effect?

Jimmy Addison: Yes. So that runs through the end of the heating season, the measurement period through the end of March, and we make the filing in May of each year. And any adjustment either way, if we're 50 basis points out, would be effective the first of November for the implementation of the typical heating season in the fall. Although, that did not happen this past year.

Michael Lapides: Got it. Understood. And then, Steve, one question. I just want to make sure I understood that your comments about Toshiba and some of the financial and credit metric issues Toshiba has, and you mentioned that you've already started the process with Toshiba to kind of recover some of the security-related funds.

Did you do that because of their downgrades? Did you do that because Toshiba is having issues paying some of the local subcontractors or some of the vendors or suppliers? What was the main driver for starting the process now?

Jimmy Addison: Yes. Michael, this is Jimmy. I commented on that earlier, so I'll clean it up here.

No, that's just procedural. It's just an option afforded to us under the contract. We have had no issues that we're aware of at all, with any subs being paid or anything like that.

Michael Lapides: Got it. Thanks, Jimmy. Much appreciated.

Operator: Claire Tse of Wolfe Research.

David Paz: This is actually David Paz. Sorry if I missed this earlier. Does your 4% to 6% EPS growth rate assume any bonus depreciation impact on the new nuclear units when they come into service in 2019 and 2020?

Jimmy Addison: Yes, the guidance assumes the bonus depreciation on the base business. We've really not contemplated yet or modeled exactly what might happen with the bonus depreciation on the new units themselves. There's a lot of consideration has to go into that, along with the production tax credits, et cetera, to make sure we maximize the value for the customer.

David Paz: I see. So it essentially hasn't been modeled in the 4% to 6%?

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 18 of 77

Jimmy Addison: Right.

David Paz: Okay. Do you happen to know or can I find somewhere in the BLRA filings what the cumulative cost for unit 2 would be through 2019, as you currently stand today?

Jimmy Addison: Well, on the amended contract, it's about, the total price of the units, is about $7.1 billion. So you can roughly estimate 50% of that.

David Paz: Okay.

Steve Byrne: David, are you looking for what's been spent to date?

David Paz: Well, not just to date. But if I could -- I mean, obviously, you have the BLRAs by year. But if I knew what just unit 2's portion was through 2019, that's what I was trying to get a more exact number. But obviously, I can ballpark it.

Jimmy Addison: Yes.

Steve Byrne: Yes. Yes, we have not broken it out between unit 2 and unit 3. So, yes, you'd have to ballpark it.

David Paz: Right. Okay. And then just can you go through the process for how each unit goes into rate base? Like is there a formal filing with the PSC when each unit is completed? How is that process -- ?

Jimmy Addison: So what we do is we have to prepare a projected operating cost year, if you will, so an implementation year. The first phase of the BLRA is to get the plants approved. The second phase happens each year, are the revised rates. And the third is the operating cost going in.

And so we'll have to project what the depreciation and the operating costs, et cetera, are. And that does not require a hearing. It just requires us to present it to the Office of Regulatory Staff and to the Commission, like we do the revised rates each year.

David Paz: Great. Thank you so much.

Operator: Paul Patterson of Glenrock Associates.

Paul Patterson: Wanted to touch base with you just on the last question there on the BLRA and the bonus depreciation. It sounds like you guys were trying to -- that you were analyzing the PTC and the impact of taking bonus and what have you.

And I'm just trying to get a sense as to what that process is kind of like and sort of some of the factors that sort of go around that, if you follow me, and how that might change the 4% to 6%, potentially.

Jimmy Addison: Well, the only real impact is likely to be just on financing itself and any temporary benefits on financing. I mean, bonus depreciation is simply accelerating a deduction that you're going to get at some point in the future to an earlier point in time. So you're not going to change your total taxes per books, because you're just going to change your deferred taxes.

So if you end up with a larger deferred tax credit because of the bonus depreciation, you're going to end up with lower rate base there in the short run. But in the very short run, it's just going to have some financing benefits to it, just like the bonus depreciation does on the base business.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 19 of 77

Paul Patterson: Well, that's what I'm sort of wondering. I mean, I'm just wondering whether or not -- I mean, I understand that. I guess what I'm wondering is, is there any potential impact in the near term if the bonus depreciation was factored into it?

In other words, how should we think about the potential sensitivity in the near term if bonus depreciation, which my understanding is not being factored in now, if it were to come in, is there any -- can you give us any rule of thumb or any thought process as to if there would be impact and what that impact might be?

Jimmy Addison: Well, I mean, we're talking about something that would potentially be a cash impact in the second half of 2019. So I don't really see any near-term impact on the rate base.

Paul Patterson: Okay. So in other words, if the bonus depreciation -- there's no potential for taking -- it would happen then regardless. It wouldn't be happening any time earlier in terms of your analysis, regarding -- ?

Jimmy Addison: That's right. That's correct.

Paul Patterson: Okay. Thanks so much for the clarity. And then just finally, on the sales growth, I believe you guys in your last IRP were around 1.4% for retail sales growth, I think just over the long period. Is that still pretty much what you guys are looking at?

Jimmy Addison: Yes, we're going to be filing a new IRP -- what, in the next few weeks, Steve?

Steve Byrne: Yes. Yes, within the next two weeks we'll file.

Jimmy Addison: And we were just reviewing a draft of that earlier this week. And I don't think what we're at at this point is materially different, but we'll be filing that in the next few weeks.

Paul Patterson: Okay. Excellent. Thanks so much, guys.

Operator: Mitchell Moss of Lord Abbett.

Mitchell Moss: Just follow up on a couple questions.

Jimmy Addison: Mitchell, we can't hear you.

Mitchell Moss: Sorry about that.

Jimmy Addison: There you go. Thank you.

Mitchell Moss: Just to follow up on some of the questions on Toshiba's credit ratings and downgrades. In terms of next steps if there are further downgrades for Toshiba, is it kind of like incremental steps of if there's a single -- if Toshiba's rating moves down one more notch, there's sort of one or two more steps? Or is there sort of Toshiba has to fall several rating notches from here before you guys would need to, I guess do further action regarding taking any security actions?

Jimmy Addison: Right. So the contractual kind of security provisions I mentioned earlier are binary. Their ratings meet the criteria for us to elect those or they don't. And they've met those, so there are no further impacts. There's no graded scale or anything.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 20 of 77

Mitchell Moss: Okay. So the ratings where they're at now, you haven't needed to take any -- there haven't been any security provisions activated or there have been?

Jimmy Addison: There have not been in the past. We recently initiated those, and they have 60 days for those to be fulfilled.

Mitchell Moss: Okay.

Jimmy Addison: And those are all of the provisions, once fulfilled.

Mitchell Moss: Okay. And just on more of a technical question, in your slide, slide 13, I believe -- yes, slide 13 shows debt refinancings at SCANA in 2018 are $170 million and utility is $550 million. Last quarter you had combined it at about $720 million all at SCANA.

And so I just wanted to find out to better understand, I see the $550 million in terms of just debt at the utility. I just wanted to understand what that $170 million of SCANA debt is.

Jimmy Addison: Yes. That relates to South Carolina Generating Company, but it's one plant that operates solely for SCE&G. All the power goes to SCE&G. So it's just a separately financed plant, but it's solely related to -- we call it GENCO, South Carolina Generating Company.

Mitchell Moss: Okay. So it's not really a holding company debt item?

Jimmy Addison: That's right. But it technically is a subsidiary of SCANA, and that's the reason we presented it that way.

Mitchell Moss: Okay. Great. Thank you very much.

Operator: And this concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison for any closing remarks.

Jimmy Addison: Well, thank you. So far this has been a very eventful and productive year, and we're excited about the new arrangement with Westinghouse and Fluor.

We continue to focus on our new nuclear construction and on operating all of our businesses in a safe and reliable manner.

We thank you all for joining us today and for your interest in SCANA. Have a good afternoon.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a great day.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 21 of 77

PRIVILEGED AND CONFIDENTIAL

March 3, 2016

V. C. Summer - Units 2 & 3
Santee Cooper Recommendations

As changes are occurring to the ownership and management of the Consortium, the Owners have an opportunity to make significant correction to the course of the nuclear construction Project. During the transition, there is a window for the Owners to impose Project changes designed to offset current critical path material delays and poor construction performance attributed to inadequate project integration and management, incomplete engineering, and rework associated with ongoing design alteration.

Over the past seven years, the Consortium's inability to coordinate itself and complete the engineering, procurement, and construction work necessary to deliver this project on a schedule has come at a high cost to the Owners. For each month of project delay, Santee Cooper estimates its share of project cost to be approximately $35 million.[1] New project management and leadership are needed to overcome these challenges.

The engineering and procurement challenges that continue to face Westinghouse (WEC) have significant impacts upon the Owners. In 2015, only 3.7% direct craft progress (0.31% per month) was earned towards completion of the combined units. The year closed with overall direct craft construction at 18.7% complete. With 81% of the work to go, the monthly construction progress must increase to around 2.5% if contract dates are to be achieved. Failure to realize a significant and sustained increase on this metric over the next six months will invariably result in more project delay.

Considering the Consortium's record, nearly three years of delays, and the risk associated with not achieving the production tax credits, it is incumbent upon the Owners to employ increased and magnified oversight to ensure that

[1] Based on a Santee Cooper internal estimate completed Nov 2014 for a 27 month delay on Unit 2 (delay from March 2017 to June 2019) and a 25 month delay on Unit 3 (delay from May 2018 to June 2020). Estimate includes added costs associated with fuel & replacement power, owners cost, and debt service.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 22 of 77

WEC and Fluor will properly coordinate efforts to resolve the challenges facing the Project. Intrusive verification of the work by trained project management professionals would help hold the Consortium accountable, and provide more timely and accurate Project status information for the Owners going forward. For this purpose, Santee Cooper makes the following recommendations:

1. <u>Construction Milestone Payment Schedule</u>

Development of the construction milestone payment schedule is vitally important to the Owners to drive schedule adherence and Consortium accountability, to be accomplished in the following way:

- Advise all parties that future payments for work will be made according to the milestone payment schedule without exception
- For avoidance of confusion, payment for construction work will not occur until satisfactory completion of each milestone
- Retain a third party engineering, procurement, and construction firm with personnel experienced in large construction project scheduling and controls by March 31, 2016 to advise and assist Owners with the development of an effective milestone payment schedule.

2. <u>Project Evaluation and Assessment by Owners</u>
   - The Owners will take steps to obtain stakeholder and interested party assessments with observations and recommendations on issues impacting all Project functional areas including: project management, engineering and licensing, procurement, construction and project controls, and startup by March 15, 2016.
   - Owners' management will complete a detailed review of the assessments and develop an action plan and schedule to implement valid recommendations by April 30, 2016.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 23 of 77

3. Quarterly Meetings with Toshiba / WEC / Fluor
   - Schedule and hold quarterly meetings with Toshiba, WEC, and Fluor management to gauge executive commitment to Project and to discuss progress and issues. Owners' executive management will develop and publish a meeting agenda one week in advance of each quarterly meeting. Hold first meeting prior to Owners joint meeting on March 21, 2016.

4. Evaluation of Fixed Price Option
   - Evaluate Fixed Price Option on a schedule that will support a Public Service Commission (PSC) ruling by October 1, 2016. This schedule will allow time for the Santee Cooper Board to make a determination following the PSC ruling and prior to the November 1, 2016 deadline.

5. Professional Oversight of EPC Agreement
   - EPC manager: Retain EPC managerial and project controls expertise responsible for independently measuring and analyzing contract performance and for making recommendations to best influence Consortium behavior, accountability and the successful outcome of the Project. On-board EPC managerial staff by June 15, 2016.

     There are multiple ways to fulfill this need. The following suggestions are offered for discussion:

     - Suggestion 1: SCE&G hire an executive EPC professional, reporting directly to the SCE&G CEO but also answering to the Santee Cooper CEO, responsible for this work. The new executive would be a career professional with extensive experience in complex, new-build generation projects and be responsible for hiring other EPC and project controls expertise as needed. The new executive's compensation would be based solely on project performance and would include performance based incentives and penalties to promote effectiveness of leadership. The CEOs would meet at a

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 24 of 77

minimum every other week to receive a report from the EPC professional.

- Suggestion 2: Retain a qualified EPC firm, including executive leadership and support personnel, to provide the needed services. EPC executive to report to Owners' CEOs in a manner similar to above. Contract for EPC firm should include performance based incentives to promote effectiveness of the firm.

- Engineering: EPC manager to obtain clear visibility of the maturity and completeness of all project engineering and make practitioner recommendations to best influence the Consortium's performance. Work should begin with analyzing the following:
  - WEC engineering scope
  - Stone & Webster engineering scope
  - Design constructability / change issues

  Provide initial report by Aug 31, 2016.

- Procurement: EPC manager to obtain clear visibility of all project procurement issues including critical path material deliveries, analyze supply-chain performance, and make practitioner recommendations that would best influence delivery of material by scheduled need dates. Work should begin with analyzing the following:
  - Structural modules – domestic supply
  - Structural modules – foreign supply
  - Shield building wall panels
  - Shield building - air inlet, tension ring, roof structure
  - General procurement issues – equipment and commodities

  Provide initial report by Sep 30, 2016.

- Construction: EPC manager to independently review and assess construction performance by plant functional areas including productivity factors, labor ratios and all issues affecting direct craft progress. EPC

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 25 of 77

manager to make practitioner recommendations that would best influence the monthly progress rate needed to achieve contract completion dates. Provide initial report by Sep 30, 2016.

- Project Schedule: EPC manager to independently review and assess the achievability of the Project Schedule including integration of all engineering, procurement, and construction inputs, assumptions, constraints and logic ties by Sep 30, 2016.
- Project Metrics: EPC manager to evaluate current project metrics and work with Consortium to develop accurate and consistent industry standard metrics to track actual vs planned completion of each generating unit by functional area and major plant system. EPC manager to develop an executive level dashboard for monthly tracking of all key project metrics by Oct 15, 2016.
- Quarterly Meetings with Toshiba / WEC / Fluor: EPC manager to attend meetings and provide independent assessment of Consortium's progress towards resolving the issues that face the Project beginning Q4 2016.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 26 of 77

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S FIRST AUDIT INFORMATION REQUEST
October 15 Amendments to the Engineering, Procurement, and Construction Contract Related to the Construction of a Nuclear Baseload Generation Facility at Jenkinsville, South Carolina

REQUEST 1-32:

Has SCE&G decided to retain the services of a Project Consultant as allowed in the Agreement? What are the costs associated with these services? Are these costs included in the current estimate of the Owner's Cost? Has a contract been awarded? If so, to whom? If this decision has not yet been made, please advise the target schedule for making a decision or implementing this service.

RESPONSE 1-32:

Yes. SCE&G has decided to retain the services of at least two project consultants for consultation as to the process for the selection of construction payment milestones. One of the consultants, Work Management, Inc., has already performed its services, and SCE&G expects that the cost of those services will be less than $5,000. The second company has not yet signed a contract or provided any services, but the costs should not exceed $25,000. There are sufficient funds in the Owner's Cost category to cover these amounts.

FIRST SUPPLEMENTAL RESPONSE 1-32:

SCE&G retained the consulting services of Work Management, Inc. concerning the selection of construction payment milestones. These consulting services were provided at no cost to SCE&G. With regard to the second consultant company referenced in Response 1-32, SCE&G has elected to not pursue the hiring of this company.

SECOND SUPPLEMENTAL RESPONSE 1-32:

After deciding not to purse the hiring of the second consultant company referenced in SC&EG's First Supplement Response, 1-32 above, SCE&G has now decided to retain the services of another project consultant, Secretariat International, Inc., to assist the Company with the construction milestone payment schedule. As stated in Response 1-32 above, there are sufficient funds in the Owner's Cost category to cover this expense.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 27 of 77

Crosby, Michael

From: Carter, Lonnie
Sent: Monday, November 28, 2016 1:08 PM
To: MARSH, KEVIN B (KMARSH@scana.com)
Subject: Wednesday's SCE&G/Santee Cooper meeting
Attachments: Nuclear Timelines--Project Management.docx; Nuclear Timeline-Bankruptcy.docx; Securitization Assessment Nov 28 2016.doc.docx

Kevin,

This letter is sent to assist you in preparation for our meeting on Wednesday (11/30), as both our teams prepare for the joint Board meeting scheduled on December 5. We both share the strong desire to work as a team to see the Summer 2&3 Project successfully completed. This letter is offered in that spirit:

From Santee Cooper's perspective, there are 3 primary items we need to discuss on Wednesday. Candidly, the first two have become items of frustration for Santee Cooper, and have put me in an awkward position with my Board, who are insisting to know why no action has been taken. I asked Santee Cooper's team to prepare timelines which show when the items were raised and discussed. These timelines are written from Santee Cooper's perspective, and perhaps will provide insight to your team.

1. Increased project management expertise in large scale EPC construction.
2. Bankruptcy counsel.
3. Release of the Bechtel Report to the Cooperatives.

Increased project management expertise in large scale EPC construction--We need to be prepared to discuss with our Board, after two years of requests and an affirmative commitment from you on more than one occasion, why this has not yet been done. The attached timeline is illustrative.

The formation of the CORB was SCANA's response to the Betchel Report and Santee Cooper's request for better Project oversight with large EPC experience. Based on the recommendations we heard at both CORB briefings, I am concerned that we learn critical information too late from an outside team that comes in quarterly for a few days, which should have been brought to our attention by our teams. The information we learned last week was very important and key to the effectiveness of our President's Meetings with WEC and Fluor.

As we discussed following the call, we must determine if our teams have the knowledge and expertise to glean this key information. If they do have the knowledge and expertise, then what are the reasons the information does not reach us? If they do not have the knowledge and expertise, what can be done to staff in such a manner to have this information available in a timely manner? I recommend that we move quickly to act on the CORB's recommendations and set specific timeframes for our team to implement.

Bankruptcy counsel—Bankruptcy expertise would significantly inform our team as we negotiate with WEC going forward. Our separate, collective and independent analysis suggests that the fixed price option offered by WEC is likely significantly less than the cost WEC will incur to complete the Project. This is the very reason that we selected the fixed price. Regrettably, we must anticipate WEC having financial difficulty completing the Project, particularly in a timely manner. We should consider all options available to us that will insure WEC lives up to our Agreement. Our strategies should contemplate potential bankruptcies for both WEC and Toshiba. Toshiba's weakened financial condition is an unfortunate development as WEC's guarantor that we must also consider.

After no action on our repeated requests on this topic, as indicated in the attached timeline, I asked our legal team to find bankruptcy counsel. When we advised the SCANA team of this and our recommendation, no response has been received. This issue is of such concern to the Santee Cooper Board (as the timeline shows this was brought up at our first joint Board meeting) that I further asked our legal team to conduct an assessment of the securitization of the Project in the event WEC is unable to finish. This is something that

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 28 of 77

would typically be undertaken by counsel with bankruptcy expertise. The securitization assessment is attached for your benefit. We will be prepared to discuss it further on Wednesday.

Release of the Bechtel Report to the Cooperatives—We are backed into a corner on this. Our largest customer, having learned of it through intervention in SCE&G's fixed price petition, demands a copy of the report. Our requests to your legal team to put some parameters around the disclosure has been met with the response that we should not release it. Not releasing this information will likely bring formal requests that will be an untenable position for both our companies.

We look forward to our discussion on Wednesday.

Thanks,
Lonnie

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 29 of 77

Nuclear Timeline—Additional Project Management Request

For well over two years, the Santee Cooper Board and management team have been pressing SCANA to substantially enhance the construction project management team by repeated direct requests, through the Bechtel analysis, and via the CORB process, as indicated by the timeline below.

Timeline: Project Management

May 2014: **Roll-up Letter** - Shortly after sending the May 2014 roll-up letter to WEC receiving the $1B EAC (Aug), Santee Cooper began discussions with SCE&G executives to engage outside assistance with management of the EPC contract.

Sep 3, 2014: **Marsh email to Carter (September 3, 2014 at 2:06:00 PM EDT) …**

"We are ready to move forward with hiring/engaging an additional resource with significant construction expertise to assist us with evaluating the construction schedule and project status. I believe having this person on our staff vs. working as a consultant will avoid conflicts with the consortium on proprietary matters."

Feb 17, 2015: **SCANA Meeting (Timmerman's old office)** - Marsh, Byrne, Carter, Watson, Crosby) - Santee Cooper suggests Bechtel for project review, providing SCANA with a project assessment proposal to assist in identifying areas for improvement.

Apr 7, 2015: **Bechtel Meeting (SCANA Hangar)** - Team Marsh, Team Carter, & Bechtel – Bechtel introduces its nuclear team and presents assessment proposal. Kevin agrees to seek SCANA Board approval to go forward with an assessment.

Apr - Aug: **SCANA and Santee Cooper Board approvals received** - to move forward with a Bechtel project assessment.

Aug 10, 2015: **Bechtel Assessment** – finally begins. Much time lost April through July getting Roderick & Asherman engaged and NDAs and PO in place. To push forward, Santee Cooper made the Bechtel assessment a "requirement" to proceed with the (stalled) negotiations that eventually led to CB&I exiting the Project.

Aug – Oct: **Bechtel Calls** – Craig Albert holds weekly calls with Marsh & Carter. SCANA NND project leadership has limited involvement in the assessment. Cherry steps up to lead effort on behalf of Owners. Cherry engages Archie in a daily effort to force WEC (Benjamin / Roderick) to release engineering & schedule documents. Carl Rau & Roderick eventually have a heated email exchange. Documents are finally released to a reading room only - the assessment effort is a challenge.

Oct 22, 2015: **Bechtel Meeting (SCANA HQ)** – Bechtel executive level report-out of project assessment, findings, and high-level recommendations. Bechtel promises a final report in 2–3 weeks. SCANA management expresses hesitation, routes

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 30 of 77

assessment through legal department, indicates concern Bechtel's objective is to seek a long-term engagement on the Project.

Nov 12, 2015: **Bechtel Assessment Report – issued to George Wenick** - Weeks go by with Wenick/Bechtel wrangling over Wenick's rejection of initial report, redactions, timeline removal, critique of project management. Baxley, Pelcher, Lindsay, and Bynum meet with Wenick (in Atlanta) for a review and final disposition of report.

Feb 5, 2016: **Bechtel Project Assessment Report** – Numbered copies of final report released to Santee Cooper by SCANA.

Mar 4, 2016: **Santee Cooper Recommendations** – Five formal recommendations forwarded to Marsh:

1. Construction Milestone Payment Schedule
2. Project Evaluation and Assessment by Owners
3. Quarterly Meetings with Toshiba / WEC / Fluor
4. Evaluation of Fixed Price Option
5. Professional Oversight of EPC Agreement

Mar 7, 2016: **SCANA Meeting (Kevin's conference room)** – Marsh, Byrne, Archie, Lindsay, Bynum, Team Carter – group discusses Bechtel Report and Santee Cooper formal recommendations. Carter praises SCANAs project management team for its operations experience and ability to work well with NRC, but expresses concern over inability to hold Consortium accountable.

Marsh agrees to have the SCANA and Santee Cooper teams study the Bechtel Report, agree on actionable recommendations. Marsh agrees to add EPC resources to his team to fill any gaps/needs identified.

Marsh, Byrne & Archie float Construction Oversight Review Board (CORB) approach as a possible resource solution … same was being used at Vogtle.

CMPS – at Santee Cooper's request, Marsh agrees to hire Bechtel (Jason Moore) on a limited scope basis to assist team in development of the CMPS. Action assigned to Archie. Archie first attempts to hire Jason Moore as an independent contractor. Subsequently, Craig Albert instructs his staff to move on.

Mar 11, 2016: **CEO Meeting (Columbia)** - Marsh, Harold Stowe, Carter, Leighton Lord – meet to discuss Santee Cooper's formal recommendations and expectations of SCANA for the planned Mar 21 Joint Board meeting.

Mar 18, 2016: **Marsh email to Carter (March 18, 2016 at 8:25:34 AM EDT)** … pertinent excerpts provided below:

"Our team is looking forward to meeting with the Santee Board next Monday …"

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 31 of 77

"We appreciate the effort behind the recommendations provided to us regarding your views on project issues. We have carefully considered your concerns and, as we discussed in our meeting last week, we appear to be in alignment on the first four. We agree in principle with the concern expressed in Item 5 related to additional oversight of the project and have a plan of action that we believe will address the issue appropriately. Our first step in this regard is to staff a Construction Oversight Board.

"Next we would seek an appropriate number of experienced EPC, and/or large construction project personnel to add to the new nuclear team. These individuals would be available to assist the current Project Management Office team and site leadership in assessing and addressing issues arising during construction. I am confident that the number and specific type of personnel needed in this capacity will be informed by the work of our teams who are currently summarizing a list of recommendations for the project going forward. We expect these teams to complete their work and provide a report to senior management by the end of April."

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – discussed Bechtel Report, Santee Cooper March 3 formal recommendations and SCANAs plan forward to address issues.
Marsh committed that SCANA and Santee Cooper would work to identify actionable Bechtel recommendations, SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

Apr 7, 2016: **SCANA feedback on Bechtel Assessment** – Cherry and Crosby meet with Archie and Bynum. In response to Marsh's request for the teams to work on the Bechtel assessment recommendations, Bynum gave Santee Cooper a spreadsheet containing SCANA feedback from several members of the NND project management team. Brad Stokes (SCANA Manager of Engineering) had not been a part of the Bechtel assessment review effort, even though many issues tied to engineering were impeding progress on the Project.

Apr 15, 2016: **Santee Cooper feedback on Bechtel Assessment** – Also in response to Marsh's request for the teams to work together on the Bechtel assessment, Santee Cooper forwarded Archie and Bynum Santee Cooper's formal review of the Bechtel assessment which included a cross-reference to SCANAs feedback. Santee Cooper's feedback was consistent with its Mar 3rd recommendations calling for the addition of EPC expert resources to assist SCANA project management with executing Bechtel recommendations on engineering, procurement, project controls & scheduling.
Archie called Crosby and Byrne emailed Crosby a few days later and confirmed that they had received and reviewed Santee Cooper's feedback … and that the teams were in agreement.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 32 of 77

May 19, 2016: **SCANA meeting – CMPS & Bechtel Assessment** – Marsh, Byrne, Archie, Carter, Crosby, Cherry meet.

CMPS: WECs front-end loaded CMPS discussed in detail. Santee Cooper again requested SCANA seek outside expertise to assist Owners with this issue.

Bechtel Assessment: Due to the progress WEC & Fluor appear to be making on procurement issues – Santee Cooper agreed to narrow the focus of the Bechtel recommendations to only engineering issues.

Jun 17, 2016: **Santee Cooper Board Meeting (Wampee)** – Fixed Price Option formally introduced to the Santee Cooper Board. .

Jun 18, 2016: **Crosby email to Archie (June 18, 2016 10:50 AM EDT)** – Marsh, Carter and Byrne were copied … pertinent excerpts provided.

"Yesterday, Marion brought me the attached document that you gave him Thursday on the Project Assessment Report.... SCANAs recommendation, and apparent next step, is to perform (another) 3rd party assessment on how to make things better.....I am not supportive of just another 3rd party assessment. The assessment completed Q3 2015, at a cost of $1M, was sufficient for Santee Cooper to recognize the need to on-board experts help to work on key issues and improve the management of the Project." No response was received.

Jun 20, 2016: **Joint Board Meeting 2 (Nexsen Pruet)**

Fixed Price Option: SCANA presents its analysis of the Fixed Price Option.

CORB: Peggy Pinnell (Santee Cooper Director) reminds Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Archie recommits to getting the CORB established by Jul 20.

Aug 2016: **CORB Review #1** – The Construction Oversight Review Board held its first review in Jul & Aug. The initial review provided for a high-level review of the project schedule, construction, construction to startup turnover planning, engineering, startup, project management, procurement, document control, vendor supplied equipment, and component testing. An executive level exit meeting was held on Aug 18 – primary takeaways follow:

- Schedule has too many activities (238K vs 60K at Watts Bar 2)
- Subcontracts are not in schedule
- Engineering is impeding construction
- Engineering not in schedule – being handled by lists
- Project Management – must get aggressive to hold EPC accountable. Team will not make it without some help

CORB Chairman (Skaggs) promised final report in 2 weeks.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 33 of 77

Sep 16, 2016: **Draft CORB Report #1** – received from SCANA after Carter discussed with Marsh that the report was past due. Report was in-house SCANA and being reviewed by Archie. Bynum forwarded a copy to Baxley and reminded Santee Cooper the report was confidential.

Oct 13, 2016: **SCANA action on CORB Report #1** – Williams requests an update from Archie on Oct 5. Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor are doing to address CORB recommendations on schedule, engineering, project metrics, etc.

Conclusion: SCANAs project management team has many areas of strength (nuclear safety culture, operations, NRC management) but does not have the comprehensive skills and depth of experience necessary in engineering, scheduling, project controls and construction to manage a large new build project laced with complexities. Those complexities being (1) a first of a kind nuclear technology (2) being deployed by an over-extended equipment manufacturer (Westinghouse), (3) backed by an incompetent engineering firm responsible for project integration (Stone & Webster now WECTEC), and (4) a Contractor that has been disingenuous on multiple issues. The Project would be greatly benefitted by infusing the current project management team with a framework of qualified EPC managers charged with working collaboratively with the Owner and Consortium to identify areas for improvement, suggest proven solutions, and to provide an independent perspective on actual progress – the effort aimed at increasing the accountability of the Consortium and the success of the Project. After three years of project delays, and now another five months of Unit 2 delay realized in 2016 – there should be no shame in reaching out for qualified assistance.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 34 of 77

Nuclear Timeline—Project Bankruptcy Counsel

Beginning with the precipitous decline of Toshiba's credit rating and financial strength, the Santee Cooper Board and management team have been requesting that SCANA retain bankruptcy counsel for the project. The following timeline is illustrative:

Timeline: Bankruptcy Counsel

April 2015: Toshiba announces accounting scandal.

July 21, 2015: Toshiba senior executives and Board of Directors resign.

Dec 22, 2015: Moody's reduces Toshiba long term bond rating to junk status.

Mar 2016: Santee Cooper approaches Nelson Mullins bankruptcy counsel about Project, conflicts check shows WEC is a client of Nelson Mullins in some capacity.

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – Boards discussed declining financial condition of Toshiba and what financial response the Owners should make to poor project progress. Owners' counsel met with George Wenick that afternoon and Santee Cooper requested that bankruptcy counsel be retained for the Project as a proactive measure given Toshiba's and potentially WEC's financial condition.

Apr 4, 2016: **Pelcher email to Bynum (April 4, 2016 4:01 PM EDT)** – pertinent excerpt

"... has SCE&G secured a project bankruptcy attorney to help us think through how Toshiba's financial difficulties might impact Westinghouse and ultimately us? You may recall this is a topic we discussed during our Mar 21 (post board meeting) nuclear attorneys meeting ..."

Jun 7, 2016: **Crosby email to Byrne (June 07, 2016 6:03 PM EDT)** – pertinent excerpts

"... Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20th. Here is what I have so far ... welcome your comments.

1. Fixed Price Option
   a. SCANA analysis – presentation
   b. PSC Testimony – any comments that can be shared
   c. Draft SCANA letter to Santee Cooper – recommending FPO
   d. Potential Bankruptcy – outside legal opinion & plan to address"

Jun 16, 2016: **Marsh email to Carter (June 16, 2016, at 3:39 PM)** - pertinent excerpts

"Based on our internal discussions, we propose an agenda as follows:

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 35 of 77

1. Follow-up on issues from our last joint meeting;
2. Consideration of the fixed price option; and
3. Update on the milestone schedule/Dispute Resolution Board (DRB) issue"

"Through a number of emails I have seen other topics that your board may want to discuss. We are prepared to do that, but we believe that such a discussion should occur when we have more time. Issues, such as the potential bankruptcy of Toshiba or Westinghouse are critical, but would prefer to have some detailed discussions and debate within our project teams before making a formal presentation to either of our boards."

Jun 16, 2016: **Carter email to Marsh (Jun 16, 2016, 7:20 PM)** – pertinent excerpts

"… Finally, I agree with you that further staff level discussion on the ramifications of a Toshiba or Westinghouse bankruptcy would be useful and should precede any formal presentations to our boards on this matter. With that said, the possibility of such a bankruptcy cannot be entirely divorced from our joint board discussions on Monday. For example, Item No. 2 on your agenda relating to the fixed price option obviously shifts risk away from the Owners and to Toshiba/Westinghouse, making their credit worthiness all the more important. Similarly, with respect to Item No. 3, getting the milestone payment schedule right will make it less likely that Westinghouse view as desirable a strategic Chapter 11 bankruptcy to rid itself of uneconomical executory contract."

Jun 17, 2016: **Carter email to Marsh (June 17, 2016 5:12 PM)** – pertinent excerpts

"At today's Santee Cooper Board meeting several questions regarding the implications of a Toshiba bankruptcy came up. Some we could address others not. I would anticipate similar questions Monday….."

Jun 23, 2016: **Pelcher email to Bynum (June 23, 2016, at 5:12 PM)** – pertinent excerpts

"… Al. one of my notes from Monday's Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba's financial difficulties arising out of last year's accounting scandal and the risk that posed to the Owners and the project.

"As I understood the discussion from Monday, our joint boards had an interest in retaining as project counsel someone who would be able to represent us both now and in the event of a bankruptcy without having to get a waiver from Westinghouse or Toshiba. My notes indicate that you tasked George Wenick to identify potential project bankruptcy counsel for this purpose."

"One more thing - - and just speaking for myself - - in the penultimate paragraph of his June 16, 2016, at 3:39 PM Email, below, Kevin Marsh advanced the idea of

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 36 of 77

possibly making a "formal presentation" to our boards on the bankruptcy/insolvency issue after some further analysis/discussion among staffs of SCE&G and Santee Cooper. Given the demonstrated interest in this issue by our board, I think this is a very good idea."

"I would think that the content of such a board presentation would be informed not only by the analysis of the project bankruptcy attorney we eventually (hopefully very soon) retain, but also by a more granular understanding of Toshiba's and Westinghouse's financial situation. Although as a Japanese company the particulars of Toshiba's financial situation might be a bit opaque to us over here, I would think that there would be resources availability to allow us to develop a better picture of its situation and prospects."

Jun 24, 2016: **Bynum email to Pelcher (June 24, 2016 1:53 PM)** – pertinent excerpt

"Ron and I talked to George yesterday about adding bankruptcy support. He is looking for candidates. We are likely comfortable with whoever he suggests"

Jun 30, 2016: **Pelcher email to Bynum (June 30, 2016 11:41 AM)** – pertinent excerpt

Al: Following Up on our Email Exchange of late last week on bankruptcy counsel, and anticipating that this issue might be raised by one of our board members in connection with today's meeting, has any progress been made in securing project bankruptcy counsel? As you may remember, the issue of WEC/Toshiba bankruptcy/insolvency was on the mind of several of our board members during the June 20th Joint Meeting."

Jun 30, 2016: **Bynum email to Pelcher (June 30, 2016 2:59 PM)** – pertinent excerpt

"George will have to answer your bankruptcy question – we delegated that to him"

Aug 19, 2016: **Pelcher email to Bynum (August 19, 2016 8:43 AM)** – pertinent excerpt

"Al: As you may know, the Santee Cooper meeting on Monday, August 22nd. There will be the now normal update on V.C. Summer Units 2 and 3 in Executive Session. I will be on hand to answer questions of a legal variety that may arrive. "

"QUESTION: If asked by a board member in Executive Session about the status of securing project bankruptcy counsel, what should I tell them?"

Sep 28, 2016: **Pelcher email to Wenick / Bynum (September 28, 2016 2:20 PM)** – pertinent excerpts

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 37 of 77

"George/Al: I was on the Executive Floor today and a question came up about whether George has made any progress in identifying a project bankruptcy counsel? You may recall, that this is a matter that our joint boards discussed during their June 20th meeting. I have pasted below for your convenience prior Email on this matter."

"The next Santee Cooper Board meeting is scheduled for October 14th and I anticipate this issue coming up at that time."

Oct 24, 2016 **Carter and Baxley travel to New York and** meet with Dentons, LLC attorneys regarding project bankruptcy counsel.

Oct 25, 2016 **Carter letter to Marsh:**

During the June 20 joint meeting, members of both our Boards expressed concern about the financial difficulties being faced by Toshiba Corporation and Westinghouse Electric Company and how those problems could possibly impact the timely and successful completion of the project. One action item that SCANA agreed to take on was securing Project Bankruptcy Counsel who would help us think through Toshiba/Westinghouse insolvency scenarios so that we might begin planning now on how mitigate the impact of such an unfortunate possibility. Indeed, in a June 16, 2016 email to me, you expressed the very same concerns describing "the potential bankruptcy of Toshiba or Westinghouse [as] critical" but expressing the "prefer[ence] to have some detailed discussions and debate within our project teams before making a formal presentation to either of our Boards." The time for that formal presentation to the Board has arrived.

Oct 28, 2016 **Email from Baxley to Marsh and SCANA legal team:**

I'm pleased to report that this week we have located bankruptcy counsel for the nuclear construction project. Stuart Caplan of Dentons New York office has assembled an energy/large construction group with whom we met this week. Stu is well known to Santee Cooper and has represented us in multiple issues over three decades. He is assisted by Farrington Yates who focuses on large scale construction bankruptcies representing creditors. The third member of the team is a large construction project risk avoidance specialist who has litigated the aftermath of multiple mega projects and personally knows at least one of our DRB—John Hinchey—and made several accurate observations about his personality.

No reply received from any recipient.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 38 of 77

Confidential/Proprietary/Attorney Work Product

EPC Securitization Assessment

Redacted - Privilege

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 39 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 40 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 41 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 42 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 43 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 44 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 45 of 77

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 46 of 77

Redacted - Privilege

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 47 of 77

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Respectfully Submitted,

Nuclear Project Securitization Team

J. Michael Baxley
Michael R. Crosby
Elizabeth H. Warner
Stephen R. Pelcher
Rahul Dembla

November 28, 2016

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 48 of 77

SOUTH CAROLINA ELECTRIC & GAS COMPANY
OFFICE OF REGULATORY STAFF'S FIRST AUDIT INFORMATION REQUEST
October 15 Amendments to the Engineering, Procurement, and Construction Contract Related to the Construction of a Nuclear Baseload Generation Facility at Jenkinsville, South Carolina

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Has SCE&G decided to retain the services of a Project Consultant as allowed in the Agreement? What are the costs associated with these services? Are these costs included in the current estimate of the Owner's Cost? Has a contract been awarded? If so, to whom? If this decision has not yet been made, please advise the target schedule for making a decision or implementing this service.

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ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 49 of 77

Comparison of SCE&G Recommendations to Bechtel Recommendations
March 29, 2016
C:\Users\mrcrosby\Desktop\[WMC - 2016 03 29 - SCE&G-Bechtel Recommendation Comparison.xlsx]Summary

SCE&G Recommendation
Bechtel Recommendation

Bechtel Rec #	SCE&G Rec #	Recommendation
-	1	Follow-up on the escrow of IP materials
-	2	Review bond status and when we can insist on more coverage
E8	3	Emphasize the need to get electrical and civil designs completed and associated drawings issued as soon as possible to construction/procurement. Encourage a constructability review meeting with construction prior to issue in order to avoid the need for changes.
E13	4	As part of the weekly schedule update meeting, review near term holds and commit to getting a release date for hold removal and document issue to support procurement and construction work.
E14	5	Continue with the weekly schedule review meetings to ensure these engineering activities are getting completed in addition to supporting emergent site issues and completing any unfinished to-go design engineering. Assemble a team of subject matter experts to develop the work scope, schedule activities, and resource requirements for Post-Engineering Design Closure. This will enable determination of the need to add resources later in the project or to reassign personnel to support these work activities.
E16	6	Continue the cross functional team identified by the Consortium that is tasked to review the work control process (including document control) and include consideration of the following items: — Reducing the volume of paper in work packages — Minimizing worker entries to those absolutely necessary to document work performed — Implementing alternative means of making worker entries (electronic tools) — Performing field assessments of work package activities to include worker/foreman feedback/suggestions — Eliminating documentation not specifically needed in the field for workers to perform work — Developing work packages for smaller, more discrete work scope.
P2	7	Complete a needs analysis to identify and finalize the required space. Perform a comprehensive manufacturing schedule review against construction need dates and deliveries forecasted for the next 6 months. Work with the supply chain as appropriate to delay manufacture to allow for future shipment at the appropriate time. Prioritize issues with Level C storage requirements.
P12	8	Hold procurement accountable to close risk items as scheduled.
CPC2	9	A detailed evaluation of the to-go work should be performed so that management understands the cost and schedule impacts before deciding to install something out of sequence.
CPC14	10	Work activities should be planned based on a realistic evaluation of the work, rather than optimistic projections due to schedule pressure from management. This way, craftsmen will be working productively. The project should consider a rule that the placement must be signed-off, except for final clean up, the day before the placement
CPC15	11	Maintain the schedule focus, but not at the expense of project cost. When engineering issues arise, adjust the schedule accordingly, so the craftsmen still feel they have some control and responsibility for working the schedule within budget.
CPC18	12	Ensure that the design organization recognizes the importance of design changes and clarifications and is staffed to address them immediately. The negative impacts to the project will not decrease as long as changes continue and clarifications are slow to come from engineering and will continue throughout the project unless a change is made.
CPC28	13	Where contractually possible, the Owners should request the data that creates the reports not just the reports. The recommended Project Controls team would then analyze the data rather than just reviewing the report.
CPC29	14	Request all reports provided by the Consortium for the monthly meetings contain the overall view regardless of topic. Breakouts are acceptable and sometimes needed, but overall focus must remain on the overall project performance.
CPC30	15	Request all reports provided to the Owners include both baseline information and a current forecast if different than the baseline. If the current forecast is later than the baseline, the Consortium should provide a recovery forecast plan. If cost is being discussed and the cost forecast exceeds the baseline, an estimate at completion should be required.
CPC31	16	Request staffing plans by position which account for the total project baseline budget for the tracking of job hours. For the tracking of material type budgets, such as equipment or small tools, a baseline monthly usage plan should also be submitted for baseline tracking purposes. This document would serve as the basis for future negotiations and would provide enough detail for scope increase discussions and also validation of current actual charges.
CPC33	17	Separate the curves and track all underground quantities separate from above-ground quantities. Also, after creating separated curves, compare the current installation plan to historicals to validate their viability.
S1	18	Be diligent with dedication of these resources to support the ITP. The hands-on experience acquired through participation in the test program is important to good performance during the early days of plant initial operation.
S2	19	Evaluate the likelihood of realizing an 8 month lag between Units 2 & 3. If realistic, ensure mitigations have been planned in case of events on one of the units while the other is in the vulnerable position of still in the testing phase. If not realistic, consider historical lags closer to 12 to 18 months.
PM3	20	We need to push WEC to better recognize successes on the project

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 50 of 77

E1	21	Push WEC to initiate a focused effort to complete known design "debt" to assist construction planning and to eliminate one source of E&DCRs. Push WEC to establish a forecast based on historical data and staff on a level of effort basis to support. Push WEC to provide additional staffing to address emergent E&DCRs and work off the current backlog. Push WEC to adjust the make-up of the team expertise (civil, piping, electrical, etc.) to support the different stages of construction. Push WEC to locate dedicated WEC engineering response teams to the site with design authority to resolve E&DCR issues. Push WEC to establish a WEC/CB&I "light structures" design organization at the site to work with construction to redesign and reissue piping, HVAC, conduit, and tray supports that have been identified as difficult or impossible to construct (in advance of the construction need date), and to support the design of field run commodities such and conduit and instrumentation tubing that have yet to be installed.
E2	22	Push WEC to use a Six Sigma approach to simplify the size and content of the work package. Push WEC to strictly enforce within WEC and CB&I design engineering that no more than four change papers against a design drawing may exist before they must be incorporated into the parent document for re-issue to construction.
E3	23	Push WEC to review current processes and resources to determine why plant drawing revision requirements are not being met. Based on the results, push WEC to revise process and/or add resources to ensure that engineering drawings are revised in a timely manner.
E4	24	Push WEC to initiate a focused effort on planning and review of design, vendor/contractor documents and tolerances to eliminate or have early identification of N&Ds. Push WEC to establish a forecast based on historical data and staff on a level of effort basis to support. Push WEC to adjust the make-up of the team expertise (civil, piping, electrical, etc.) to support the different stages of construction. Push WEC to create/revise the process to enhance coordination between construction, field engineering, and design engineering for N&Ds.
E5	25	Push WEC to update the standard plant 3D model so that it accurately reflects the final design so that it will better support understanding what is in a room that must be constructed. If possible, the 3D model should be put under configuration control so that images and data drawn from it can be relied on. E&DCRs and N&Ds should be rolled into design drawings and the 3D model to reduce the potential for human error in missing a requirement shown on these change documents.
E6	26	Push WEC to assess the practicality of buying new main steam pipe with the correct wall thickness rather than performing counter boring operations in the field and redesign of the stargate anchor, which may require changes to a 'special processes' specification or manual. Push WEC to evaluate if equipment site delivery can be delayed to minimize field equipment protection problems prior to installation in the plant.
E7	27	Push WEC to intensify the efforts of the Strategic Planning Group, work package planning, constructability reviews, etc. to identify design changes needed well in advance of the construction need date. Push WEC to look-ahead beyond where construction is today and work with the site Strategic Planning Group to roll in E&DCRs for all design documents associated with the room being planned, so that the room plan deliverable has the most up to date design documents.
E9	28	Push WEC engineering to continue to stay on top of emergent issues including maintaining focus on the increase in Approved DCPs/Doc Pairs requiring closure. Push WEC to add appropriate staff to work off the backlog of approximately 1,150 of 1,400 items identified on the September 14, 2015 dashboard. Push WEC to complete the identification and resource loading of the post-engineering design closure plan and load activities/resources into the P6 schedule. Push WEC to assess changes to staffing that may be required to support this work. The weekly four hour engineering schedule meeting is a good practice and should continue.
E10	29	Push WEC engineering to get ahead of construction and get E&DCRs incorporated into design drawings so that construction planning is simplified and takes less time. A construction priority should be work package closure. The Strategic Planning Group function should continue because of the issues that have been identified to date with the engineering design drawings. Push WEC to set up in the field a design engineering "light structures" group to facilitate field walkdowns to support preparing designs for 2" diameter and under support designs, and issue the design drawings.
E12	30	Push WEC to correctly sequence the placement of mechanical and floor modules into Unit 3 CA20 and CA01 modules prior to installing them in the unit.
P1	31	Push WEC to improve the process of conveying status and associated details of issues such that sufficient details are known and can be properly conveyed. Push WEC to establish a coordination meeting for procurement only so that there is a coordinated effort between site and Charlotte procurement activities.
P3	32	Push WEC to expedite the finalization of the surplus process and implement it quickly so that space can be reallocated to incoming material. Consortium management must drive this priority activity, along with Owner input, since space is at a premium.
P4	33	Recognizing that this will be a significant time, resource, and logistical issue, push WEC to work to reorganize the laydown yards with a focus on incoming material. Work towards staging by commodity and, where it makes sense, by work package.
P5	34	Push WEC to complete the inventory revalidation effort which is planned for completion by the end of 2015. Push WEC to establish a program to continually validate inventory.
P6	35	For material currently in the Consortium's control, as part of the re-inventory process, have WEC create and attach new tags. Use weather resistant type tags that can be printed onsite. For future shipments, CB&I Laurens must use and attach metal tags instead of paper. It is assumed that a specification change will be needed to facilitate this new method of identification. As part of the re-inventory process, push WEC to validate RFID operability and change accordingly if required.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 51 of 77

P7	36	Push WEC to enhance the material storage program such that it is properly monitored and maintained as a joint effort between procurement and construction. Push WEC to reconfirm that all items requiring maintenance are properly included in the material storage program. Push WEC to identify and disposition items that have issues/problems quickly so that if re-placement or repair is required, the replacement properly supports the schedule.
P8	37	Push WEC to expedite the implementation of the identified BPOs so that construction can use them rather than writing individual material requisitions. In developing the "list" of BPOs in place that would support a min/max system, push WEC construction and field engineering personnel to help define what products should be maintained within the min/max system. Push WEC to educate site personnel on the use and process of the BPOs and the min/max system.
P9	38	Push WEC to work with construction and establish a "planning tool" such that the two organizations better communicate needs so that requests are not in a continual rush mode of operation. Push WEC to establish a two week look-ahead planning tool. This is needed as material for a given request is most likely in multiple locations with the current laydown yard situation. Push WEC to consider storing material by work package, as this will make withdrawal more efficient and act as a confirmation that all material is on-site and available.
P10	39	Push WEC to continue to analyze work allocation based on current performance, shop loading, and construction schedule needs. Push WEC to confirm the ability of the existing eight module fabricators to support the schedule with the resources, flexibility, and wherewithal to handle the work. Push WEC to complete an analysis of the ROYG report and their associated fabricator and develop a plan to have deliveries made in accordance with the schedule.
P11	40	Push WEC to reconfirm that Purchase Order and/or Contract requirements are clearly and properly stated. Push WEC to re-review with the supply chain their understanding of requirements. Push WEC to monitor for trends and address with supplier management. Push WEC to address the training of individuals reviewing documentation packages to ensure their understanding of the requirements and processes.
P13	41	Push WEC to complete the analysis of ROYG report to properly assess the schedule. Push WEC to ensure proper attention/monitoring is in place. Push WEC to reconfirm the expediting resources available to manage the fabrication Purchase Orders and improve schedules. Push WEC to improve the efficiency of change management, as it takes too long to resolve issues that will allow completion of fabrication.
P14	42	Push WEC to expedite the resolution of CGD issues so that if the material has to be replaced, it can be in time to support schedule. Push WEC to revalidate the Purchase Orders that have compliance issues so that verification is documented and all material is accounted for. Push WEC to increase the interactions with suppliers to ensure the Purchase Order/specification requirements are understood and CGD is properly supported by the supplier and project engineering.
P15	43	Push WEC to expand/enhance existing tools to accommodate site needs, such that status data can be maintained and available for view by the project. Push WEC to develop a system whereby data management/entry is completed within one system.
P16	44	Confirm the completion of the schedule adherence effort as scheduled by October 31, 2015. Push WEC to evaluate resource needs to properly manage items identified in the ROYG report as impacting construction need dates.
P17	45	Push WEC to adjust work package planning to allow for a "normal" state of operation for the downstream activities after the work package is issued.
CPC1	46	Since the MAB has a substantial amount of work remaining in addition to the work on Unit 2 CA03, push WEC to develop a resource loaded schedule and some type of plan to predict and measure performance. Since this is not typical construction work, an example might be jobhours per lineal foot of weld. The development of these tools should help keep the work on schedule and within budget. Since the shop is performing so well, a study should be performed to see what other work they can be perform as they complete module work.
CPC3	47	The focus of the POD should be on resolution of issues (i.e., engineering, procurement, and quality) impacting the construction activities. Push WEC area construction teams to develop the three week look-ahead schedule and monitor the plan in the area construction meeting, which should not be held more than twice per week. The reason a project of this size is broken down into areas is because it is too big to manage construction from a central group (for example, a PMO). Delegate to the area team the responsibility for cost and schedule. The PMO should provide support to resolve engineering, procurement, and quality issues as needed and integrate all facets of the project.
CPC4	48	Push WEC to look at streamlining the process for construction aids and material. In addition, look at expanding the min/max program to ensure enough material is continuously maintained to adequately support construction. This would cover items such as stock steel (angles, channels, etc.), fasteners (bolts, nuts, washers, etc.), piping material (studs, gaskets, etc.) and conduit fittings and unistrut.
CPC6	49	Push WEC to determine how much rework is required on the delivered pipe spools and get it done prior to delivery to the installation point.
CPC9	50	A dedicated team of senior subject matter experts from both WEC and CB&I engineers should be engaged to review situations such as the omitted dowels left out of Lift 4 of Unit 2 containment slab placement to ensure that the proposed fix, which will have a significant impact on schedule, is really required. In addition, this team should assist with resolution of critical issues from the time of discovery of the issue to ensure it is resolved with as small an impact to the project as possible.
CPC10	51	In addition to onsite training, WEC should be encouraged to consider establishing a training school off site (possibly at local vocational schools) to train pipefitters, electricians, and welders to insure they can fill their needs in a timely manner. There are 6 onsite classrooms available which should be used full time to develop those crafts that are presently or will be in short supply. A project-specific labor survey should be performed.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 52 of 77

CPC11	52	Push WEC to develop mentoring and training plan to promote junior craft and field engineering personnel with periodic evaluations and feedback sessions. Push WEC to create and staff shadow positions for senior level positions within the Consortium intent on developing new talent that is focused on project completion.
CPC12	53	In areas of dense rebar, push WEC to use additional consolidation such as standard concrete vibrating or form vibrating to ensure complete consolidation of the concrete.
CPC17	54	Push WEC to perform an interference review and to resolve any interference found prior to start of installation. Some estimates should be performed to determine whether it is cheaper to install the hanger as designed or redesign the hanger. Once a decision is made, a reforecast should be performed to determine what the real costs would be. Hanger locations need to be located on the drawing using reference lines in the containment.
CPC20	55	Push WEC to assemble a team of subject matter experts who can meet with field engineering to identify those areas where tolerance increases would help solve installation and interference problems. Examples would include increasing rebar spacing tolerances, increasing pipe location tolerances, etc
CPC22	56	Push WEC to assign a team to review and streamline the work package process. One change might be having the responsible field engineer hold the work package and only issue the relevant drawings (and changes) and inspection, hold points, and signoff sheets to the foreman. At a minimum, incorporate the design changes into the construction drawings before the craft start work. (It is time consuming for the foreman to refer to multiply design change documents when trying to execute the work). Remove the specifications and standard details from the packages given the foreman, they can be referenced and copies kept in the field stick file trailers. The work packages should only include what is needed by the foreman for their work.
CPC36	57	Push WEC to review the electrical quantities in the annex building and turbine building and update as needed. Push WEC to revise the Level 2 and 3 schedules and also the bulk curves to align with the account for the new quantities.
CPC5	58	Ensure that Fluor completes a reforecast based on to date performance, and establish realistic unit rates for the bulk installations. These realistic unit rates times the forecasted quantities will result in better projections of manpower needs by craft needs and craft performance can be monitored. Ensure that Fluor adjusts the rates to take into account present performance impacts such as: work packaging, skill levels, experience of personnel, and 10 CFR 52 licensing requirements.
CPC7	59	Ensure that Fluor develops a craft staffing plan to reduce the indirect costs and staffing to a reasonable level. It should be monitored weekly just like direct work. A reforecast should also be performed along with a revised equipment plan.
CPC8	60	Ensure that Fluor performs an evaluation of why the turnover in non-manuals is so high. Areas to investigate would include the demand to work excessive overtime, conflicting management direction, or the micromanagement of personnel. The resolution of some of these potential issues would help reduce the turnover of the non-manual workforce.
CPC13	61	Have Fluor consider whether the work week should be reduced to no more than 48 hours (4-10s and 1-8 hours). With the monies saved not working as much overtime, consideration should be given to a craft incentive plan that rewards staying on the project until given a reduction in force, and/or productive and safety incentive. To reduce the turnover, suggest that Fluor consider a craft incentive of $1/hr which would only be paid when a reduction in force occurs.
CPC16	62	Have Fluor consider whether to staff up to allow working of all available work areas. Fluor should consider leaving craftsmen assigned to one area so they feel they are part of an area team. It may be appropriate to combine the Unit 2 and Unit 3 containment to better use non-manuals and make some personnel available to fill other project needs. This would allow better incorporation of lessons learned by both non-manuals and craftsmen in Unit 2 to improve Unit 3 performance and schedule.
CPC19	63	Have Fluor re-evaluate the staffing levels based on historical data and ensure there are crafts budgeted for punchlist completion.
CPC21	64	Have Fluor assess whether the safety department should simplifying the tailgate write-up so it could be easier to understand and retain. (For example, the September 25, 2015 tailgate topic on chemical labeling was perhaps too complex.) At the daily morning safety briefing, each craftsman is required to sign the morning bulletin. This probably takes 15 minutes for the crew to sign the bulletin which is 15 minutes the craft is not at the work face. Have Flour re-evaluate the need for signatures.
CPC23	65	Have Fluor evaluate the schedule for the bulk installation of commodities to allow enough time between work activities to achieve an efficient and cost effective installation program.
CPC24	66	Have Fluor evaluate whether the project needs to staff up to work all available work faces. Have Fluor consider whether a senior construction person should be assigned to evaluate methods to have the craftsmen spend more time at the workface (One example: move the tool boxes into the building near the work area.) Have Fluor assess whether coffee breaks and lunch should be taken in the work areas.
CPC25	67	Have Fluor assess whether mandatory constraints should be removed, and allow the schedule to move based on the logic. Assess how to prioritize development of mitigation/recovery plans based on their potential impact to the schedule. Consider only incorporating mitigation plan recovery into the schedule after it has been fully developed and approved by all parties.
CPC26	68	Have Fluor consider updating the forecast based on recent performance. Have Fluor consider reassessing manpower needs based on updated forecast. Implement a small sample of piping and electrical work packages well ahead of bulk installation period to assess potential impacts early. Plan to ramp-up slowly, gradually, to achieve an acceptable productivity level, train leads, and identify challenges and impediments prior to ramping up to full bulk installation mode.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 53 of 77

CPC32	69	Have Fluor analyze the schedule to identify activities within the critical and near critical paths that contain potential float. At the time of rebaselining the schedule, a schedule contingency analysis should be run and the desired probability of outcome should be agreed on.
CPC34	70	Have Fluor consider only using a standard "S" shaped work-off curve when evaluating the schedule duration viability.
CPC35	71	Have Fluor consider creating a new, more achievable, baseline Level 3 schedule. During development of the schedule, have Fluor ensure appropriate time is allocated for bulk installation windows. Have Fluor update the schedule forecast based on the median range of achievable peak sustained rates. Review quantities by system, and align to the schedule and start-up system waterfall. Prioritize bulks by system turnover demands. Balance this priority with area releases, and methods that would allow the highest productivity to be achieved. Compare system driven quantity curve against peak sustained rate forecast, and adjust accordingly. Plan work packages around the most productive methods of bulk installation (e.g., cable trees), with consideration for ability to support system turnovers.
CPC37	72	Have Flour adjust the Level 1 schedule to include a time-scaled baseline and target and forecast dates for all identified activities. Expand the start of the window schedule to show major project status since project inception. Create a Level 3 control schedule with no more than 5,000 activities per unit. The Level 2 schedule can be used at a starting point, but would need to be converted to "task" activities as opposed to "hammock activities". The Level 3 schedule should be at a sufficient level of detail to identify all critical interfaces between each phase of the project. The recommended structure is to identify construction activities by unit, building, elevation, area, and commodity. A custom data field should be added to identify systems associated with each activity, to ensure proper tie in from construction to startup. This schedule should be resource loaded with key quantities and job hours and maintained/aligned to the current forecast for the project. Weekly meeting and management reviews should use this Level 3 schedule as opposed to lower level schedules. Develop more detailed Level 5 implementation schedules as needed to manage near term commitments for critical areas. These can be in Excel rather than Primavera, and in addition to time-scaled format, can be in the form of a bingo-sheet, checklist, or other method to track status. Primavera is currently over-used for this level of the schedule, demanding more maintenance, update, meetings, etc., that strain project resources.
S4	73	Have Fluor reexamine construction terminations per cent complete compared to BIP turnovers and adjust the project schedule accordingly.
-	74	Provide data and documents to support the Owner's program development for system turnover and operations.
-	75	Provide Electromagnetic Capability (EMC) with protection and safety monitoring system.
-	76	Provide onsite automation support to Owner during post initial core load.
-	77	Provide Plant Security System (SES) testing.
-	78	Provide Cyber Security for all site specific systems to include connections between the MET Tower and Control Room.
-	79	Resolve documentation inconsistencies among the main step-up transformers, reserve auxiliary transformers and unit auxiliary transformers.
-	80	Produce a project schedule plan to achieve construction completion of at least 3% per month.
-	81	Take necessary action to resolve the storage and preventive maintenance vie the CAP – reference NND-16-0077.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 54 of 77

[SCANA] - SCANA Corporation First Quarter 2016 Earnings Conference Call/Webcast
Thursday, April 28, 2016 3:00 PM Eastern

Officers
Susan Wright; Director Financial Planning & IR
Jimmy Addison; CFO
Steve Byrne; SCE&G; COO

Analysts
Jim von Riesemann; Mizuho Securities
Mike Weinstein; UBS
Stephen Byrd; Morgan Stanley
Feliks Kerman; Visium Asset Management.
Travis Miller; Morningstar
Dan Jenkins; State of Wisconsin Investment Board
Paul Patterson; Glenrock Associates
Andy Levi; Avon Capital
David Paz; Wolfe Research
Andrew Weisel; Macquarie

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator for today. At this time, I would like to welcome everyone to the SCANA Corporation conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, April 28th, 2016. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the call over to Susan Wright, Director of Financial Planning and Investor Relations.

Susan Wright: Thank you, and welcome to our analyst call. As you know, earlier today we announced financial results for the first quarter of 2016.

Joining us on the call today are Jimmy Addison, SCANA's Chief Financial Officer, and Steve Byrne, Chief Operating Officer of SCE&G. During the call, Jimmy will provide an overview of our financial results. Steve will provide an update on our new nuclear project.

After our comments, we will respond to your questions.

The slides and the earnings release referred to in this call are available at scana.com.

Additionally, we post information related to our new nuclear project and other investor information directly to our website at scana.com. On SCANA's homepage, there is a yellow box containing links to the nuclear development and other investor information sections of the website.

It is possible that some of the information that we will be posting from time to time may be deemed

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 55 of 77

material information that has not otherwise become public.

You can sign up for e-mail alerts under the investor section of scana.com to notify you when there is a new posting in the nuclear development and/or other investor information sections of the website.

Finally, before I turn the call over to Jimmy, I would like to remind you that certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on slide 2. The Company does not recognize an obligation to update any forward-looking statements. Additionally, we may disclose certain non-GAAP measures during this presentation. And the required Reg G information can be found in the investor section of our website under webcasts and presentations.

I will now turn the call over to Jimmy.

Jimmy Addison: Thanks, Susan, and thank you all for joining us today. I'll begin our earnings discussion on slide 3. GAAP earnings in the first quarter of 2016 were $1.23 per share, compared to $2.80 per share in the same quarter of 2015. Excluding the net of tax gains on the sales of CGT and SCI, positive earnings drivers from electric margins, primarily due to a Base Load Review Act rate increase and customer growth, as well as the positive impact of the depreciation study were more than offset by the negative impact of weather on both electric margins, as well as on gas margins in our Georgia business.

Gas margins were also down due to CGT operating for a month during the first quarter of 2015, before it was sold. Additionally, expected increases in O&M expenses and CapEx-related items, including interest and property taxes, had a negative impact on earnings.

At the bottom of the slide, you will note that abnormal weather decreased electric margins by $0.05 per share in the first quarter of 2016, and increased electric margins by $0.05 per share in the first quarter of 2015, resulting in a $0.10 per share negative swing.

Slide 4 shows earnings on a GAAP-adjusted weather-normalized basis. Earnings in the first quarter of 2016 were $1.28 per share, compared to a $1.34 per share in the same quarter of 2015.

As a reminder, GAAP-adjusted weather-normalized EPS excludes the impact of abnormal weather on electric margins, and the net of tax gains on the sales of CGT and SCI from the first quarter of 2015.

Abnormal weather on gas margins is not adjusted in this measure, as gas margins are weather-normalized for the North and South Carolina gas businesses, and the direct impact of abnormal weather on the Georgia business is generally insignificant on an annual basis.

Now on slide 5, I'd like to briefly review results for our principal lines of business. On a GAAP basis, South Carolina Electric & Gas Company's first quarter 2016 earnings were down $0.08 per share compared to the same period of 2015.

The decrease in earnings is due to lower electric margins, principally as a result of abnormal weather in both periods as well as higher O&M expenses and higher expenses related to our capital program, including interest expense and property taxes. These decreases more than offset increases from the continued recovery of financing costs under the BLRA, customer growth in both the electric and gas businesses, and the application of the previously mentioned new depreciation rates.

PSNC Energy reported earnings of $0.25 per share in the first quarter of 2016, compared to $0.24 per share in the same quarter of the prior year, primarily due to higher margins from customer growth.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 56 of 77

SCANA Energy, which includes SCANA Energy Marketing and SCANA Energy Georgia, showed a decrease in first-quarter earnings of $0.06 per share, primarily due to lower throughput attributable to the warmer weather during the first quarter of 2016, as compared to 2015, and higher transportation costs.

On a GAAP basis, SCANA's corporate and other businesses reported relatively flat earnings in the first quarter of 2016, compared to $1.44 per share in the comparative quarter of the prior year.

Excluding the net of tax gains on the sales of CGT and SCI of $1.41 per share, GAAP-adjusted weather-normalized EPS was down $0.03, due primarily to foregone earnings contributed by CGT and SCI prior to the closing of the sales in the first quarter of 2015.

I would now like to touch on economic trends in our service territory on slide 6. The Carolinas continue to have a favorable business environment and we are pleased by the continuous growth in our service territories as evidenced by announcements to invest approximately $380 million with the expectation of creating approximately 1,300 jobs.

At the bottom of the slide, you can see the national unemployment rate, along with the rates for the three states where SCANA has a presence and the SCE&G Electric territory. South Carolina's unemployment rate is now at 5.7% and the rate in SCE&G's Electric territory is estimated at 5%.

Of particular interest in attesting to our state's strong economic growth, almost 80,000, or 3.7% more South Carolinians are working today than a year ago.

Slide 7 presents customer growth and electric sales statistics. On the top half of the slide is the customer growth rate for each of our regulated businesses. SCE&G's electric business added customers at a year-over-year rate of 1.5%. Our regulated gas businesses in North and South Carolina added customers at a rate of 2.5% and 2.7%, respectively. We continue to see strong customer growth in our businesses and in the region.

The bottom table outlines our actual and weather-normalized kilowatt hour sales for the 12-months ended March 31, 2016. Overall, weather-normalized total retail sales were up 1.3% on a 12-month-ended basis.

Now please turn to slide 8, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $9.5 billion. As noted in the two shades of blue, approximately 86% of this rate base is related to the electric business.

In the block on the right, you will see SCE&G's base electric business in which we're allowed a 10.25% return on equity. The earned return for the 12-months ended March 31, 2016 in the base electric business continues at approximately 9.75%, meeting our stated goal of earning a return of 9% or higher to prevent the need for non-BLRA-related base rate increases during the peak nuclear construction years.

We continue to be pleased with the execution of our strategy.

As a reminder, we're allowed a return on equity of 10.25% in our LDC in South Carolina. And if the earned ROE of the gas business for the 12 months ending March 31st falls outside a range of 50 basis points above or below the allowed ROE, then we will file to adjust rates under the Rate Stabilization Act in June. As of December 31st, 2015, the 12-month earned return for SCE&G Gas was 9.65%.

As you are aware, we recently filed an application with the North Carolina Utilities Commission requesting an annual revenue increase of $41.6 million at PSNC Energy in response to the normal

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 57 of 77

attrition in the earned returns in that business. This rate increase is a result of PSNC's need to recover costs to operate and expand its pipeline system and to implement a pipeline integrity management rider. This rider would allow PSNC to track and receive ongoing recovery of capital expenses related to its distribution and transmission pipeline integrity management programs.

Slide 9 presents our CapEx forecast. This forecast reflects the Company's current estimate of new nuclear spending through 2018, and is consistent with last quarter's call and the February quarterly BLRA report, which also reflects the amended EPC agreement that was announced in October of 2015.

At the bottom of the slide, we recap the estimated new nuclear CWIP from July 1 through June 30, to correspond to the periods on which the BLRA rate increases are historically calculated.

Slide 10 presents the transition payments information and an expected timeframe for the filing with the Public Service Commission of South Carolina. Once these events are complete, we will update the CapEx schedule and the corresponding financing plan.

Now please turn to slide 11, to review our estimated financing plan through 2018. As a reminder, we have switched to open-market purchases instead of issuing new shares to fulfill our 401(k) and DRIP plans, at least until we have fully utilized the net cash proceeds from the sales of CGT and SCI.

We do not anticipate the need for further equity issuances until 2017. The election of the fixed-price option would likely change planned equity issuances after 2016.

It is unlikely that these issuances will occur in the exact amounts or timing as presented, as they are subject to changes in our funding needs for planned project expenses. We continue to adjust the financing to match the related project CapEx on a 50/50 debt and equity basis.

On slide 12, we are reaffirming our 2016 GAAP-adjusted weather-normalized earnings guidance as $3.90 per share to $4.10 per share, with an internal target of $4 per share.

Our long-term GAAP-adjusted weather-normalized average annual growth guidance target remains unchanged as we plan to deliver 4% to 6% earnings growth over three to five years using a base of 2015's GAAP-adjusted weather-normalized EPS of $3.73.

I'll now turn the call over to Steve to provide an update on our nuclear project.

Steve Byrne: Thanks, Jimmy. I'd like to begin by addressing the status of the settlement with the Consortium and the PSC approval process.

Slide 13 presents the settlement agreement outline that we have previously shown. Westinghouse closed on the transaction to acquire Stone and Webster from CB&I at the end of December, and Fluor began work as the subcontracted construction manager for the new nuclear construction site, on January the 4th. The craft employees transitioned to Fluor on April the 4th.

Slide 13 presents costs as of the settlement date. In our next quarter BLRA update filing to be filed in the next couple of weeks, we plan to update the project costs for estimated change orders, primarily related items listed in Exhibit C of the settlement agreement.

As you may recall, Exhibit C described items not resolved in that settlement.

Listed on slide 14, are several of those items for which we now have estimated the cost. Also listed are

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 58 of 77

the estimated change orders associated with escrowing the software and documentation necessary to complete the project, and new change orders initiated since the settlement that are owner-directed.

Additional sales tax, which has been excluded from the fixed-price option is also listed.

Slide 15 presents the relative schedules of both the filing of an updated petition and the annual request for revised rates. We continue our analysis of the fixed-price option, and will consider any input received from Fluor. As a reminder, we have until November the 1st of this year to unilaterally elect the fixed-price option.

Regardless of which scenario we choose, once a decision has been made, we will file a petition with the Public Service Commission to amend the capital cost and schedule for the project.

We continue to expect to reach a conclusion on the matter sometime during the second quarter, and expect to have a mine delay of a few weeks in filing our annual request for revised rates under the BLRA in order the coordinate the petition with the revised rates application.

Moving on to some of the activities at the new nuclear construction site. Fluor's integration into the project as Westinghouse's subcontracted construction manager continues to progress with the placement of managers in key positions of the construction areas and a series of assessments that are taking place to streamline processes and improve performance.

Slide 16 presents an aerial photo of the site from September of 2015. This photo gives you a view of the layout of the site, and I've labeled both units 2 and 3, as well as many other areas of the construction site.

Slide 17 presents a schematic view of the five large structural modules that are located inside the containment vessel. This expanded view gives you a better feel for how CA01 through 05 fit spatially inside of the containment vessel. As you will recall, we've now placed CA01, CA04, and CA05 for unit 2 and CA04 for unit 3.

Slide 18 shows an aerial view of the unit 2 containment. Looking down into the containment vessel, you see the first ring section with openings or penetrations sitting on top of the lower bowl.

I previously mentioned CA01, CA04, and CA05 have been placed and can be seen in the picture.

Slide 19 shows a picture of the unit 2 CA02 module. CA02 is a wall section that forms part of the In-Containment Refueling Water Storage Tank. As mentioned in previous quarters, CA02 is now structurally complete and is awaiting installation.

Slide 20 shows a picture of the unit 2 CA03, which is the west wall of the In-Containment Refueling Water Storage Tank. Fabrication continues as all 17 of CA03 sub-modules are onsite and standing on the assembly platform.

Slide 21 shows a picture of the first portion of the unit 3 module CA20, which was placed during March. This module consists of four subassemblies, and the decision was made to expedite placement of subassemblies three and four as they allow for work to move forward that is required in order to begin shield building erection, which is the next critical path item.

As you can see on slide 22, fabrication continues on subassemblies one and two inside of the module assembly building, or MAB. All 72 required submodules are onsite. These remaining subassemblies will be placed once they are completed.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 59 of 77

As a remainder CA20 is an auxiliary building module that is located outside and adjacent to the containment vessel.

Slide 23 shows a picture of the unit 3 containment vessel ring one placement. Ring one was placed on top of the containment vessel lower bowl on April 13th.

Slide 24 shows a picture of the unit 3 module CA05. This module comprises one of the major wall sections within the containment vessel. Fabrication of the unit 3 CA05 has been completed and it has been staged outside of the MAB.

Slide 25 shows a picture of the beginnings of the unit 3 module CA01. Module CA01 houses the steam generators and the pressurizer and forms the refueling canal inside the containment vessel.

Currently, we have 24 of the 47 submodules onsite. Seven of those submodules are upright and being welded together in the MAB.

Now turn to slide number 26. I want to briefly mention that last week, the Public Service Commission of South Carolina approved SCE&G's request to reduce its electric rates to reflect lower fuel costs. Having a balanced and diversified fuel mix contributes to a lower fuel cost that will be passed on to our customers.

It is anticipated that this decrease should more than offset any increase to residential customers from the BLRA for the year.

Finally, please now turn to slide number 27 to discuss some of the SCE&G's solar initiatives. Under South Carolina law, or ACT 236, we are allowed to recover certain costs associated with our efforts to implement renewable energy incentive programs.

We officially rolled out our DER program in August of 2015, with the goal of adding approximately 84 megawatts of renewable generating facilities to our system by the end of 2020. We anticipate being almost halfway to our 2020 goal by the end of 2016.

That concludes our prepared remarks. We'll now be glad to response to any questions you might have.

Questions and Answers

Operator^ Thank you. (Operator Instructions) Jim von Riesemann at Mizuho Securities.

Jim von Riesemann: Let me just ask the elephant in the question room. You know there's been a lot of these conflicting signals in the marketplace about Toshiba. And you know investors are obviously expressing some concern here.

So with that being said, how does the fluidity of their situation affect your calculus with potentially accepting the fixed-price option?

Jimmy Addison: Well, we're certainly monitoring the situation to the extent that we can get public information about it. I think the things that are important for our consideration are, unlike the previous contract where we had certain calendar-based payments, in the new arrangement, we're only paying for work completed.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 60 of 77

So we should be in a good kind of a equivalent cash flow situation compared to the work completed, and not be behind or, if you will, ahead on the cash payments at any point in time from here through the completion. So it's really, the progress payments are aligning with the work as it's completed.

We are also very focused on the next six months. You know we got six more months before we have to make that decision. And while we'll likely file before then, we don't have to make the technical election with Toshiba until that point. So we plan to monitor the situation.

And of course, they've taken some actions already on disposing some of their non-core assets. They've said that this business is core to them, and they have backed that up with the decisions they've made to this point.

So it's obviously dynamic, Jim, and we're going to continue to monitor it over the next several months.

Jim von Riesemann: It's safe to say that you're not worried, though, is that what I'm hearing you say?

Jimmy Addison: I mean, it's certainly something we're monitoring it. We're paying attention to it. But I wouldn't say it's a worry, no.

Jim von Riesemann: Okay. And did I hear Steve correctly, so you're going to delay the BLRA filing maybe until mid-June, and at that time you'll give us either a strong signal or you will have decided which option you're going to choose? Is that correct?

Steve Byrne: Yes. Jim, we think we'll have made our decision, as we said before, in the second quarter. We anticipate the filing for both in the second quarter. We just want to make sure that we align one filing with the other.

They're slightly different timeframes. The update petition has, by law, six months before a decision has to be rendered by the Public Service Commission. The annual BLRA filing is a five-month time frame. So we would like them to be aligned with each other.

Jim von Riesemann: I get it, okay. And then finally, on the equity question, how should we think about incremental equity? Is that really one half a difference between the amended EPC price and the fixed-price option if you go that way?

Jimmy Addison: Yes. Well, our strategy hasn't changed. That's correct. We expect to finance roughly half and half with debt and equity between the two. What we don't know at this point is when will we need it if we go that direction? We've got to wait until we sort out the progress payment schedule.

Jim von Riesemann: Yes, got it. Thank you.

Operator: Mike Weinstein at UBS.

Mike Weinstein: With trailing 12 months weather-adjusted retail kilowatt hour sales at about 1.3% now, right, for the last six months, can you just remind us again what's the guidance for 2016? And at what point would you consider increasing it because of this?

Jimmy Addison: Well, the guidance as it relates to --

Mike Weinstein: Retail kilowatt hours.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 61 of 77

Jimmy Addison: -- Weather-normalized sales growth?

Mike Weinstein: Yes.

Jimmy Addison: Yes. So our overall plan was for slightly negative, like just slightly below flat for the year compared to 2015, on a weather-normal basis.

So we're not at the point we're too concerned about that yet. As far as its impact on EPS, we had a very mild first quarter, obviously, \$0.10 in the electric business quarter over quarter. So we're not at any position here to consider revising that at this point.

Mike Weinstein: And when you guys report or when you guys guide to \$3.90 to \$4.10, that's weather-normalized guidance for the entire year, not just from this point forward, right?

Jimmy Addison: That's right.

Mike Weinstein: Okay. So you intend to report whether you've achieved that guidance weather-normalized at the end of the year, even despite mild weather?

Jimmy Addison: That's correct. And the reason we're not making any change at this point is we're only three months into the year.

Mike Weinstein: Yes.

Jimmy Addison: So we've got a substantial amount in front of us now. If we get three quarters through the year and we're in that situation, then it may be a different discussion.

Mike Weinstein: Got you. And one last question. On slide 14, the additional costs since the settlement agreement, so this would be in addition to the \$288 million additional cost, right? It'd be \$56 million above that and \$66 million above the fixed-price option, incremental, right?

Steve Byrne: Yes, Michael, that's essentially correct. When we signed our deal with Westinghouse in, let's see October, we had attached an exhibit, we call it Exhibit C, that had some things that we were working on that we hadn't yet resolved and were not resolved with this agreement. So a bulk of what we see here is items that we've now resolved from that agreement -- or that exhibit.

Mike Weinstein: Right. And I know there's been some confusion out there over the performance bond that you have with Westinghouse. And I mean, I'll just give you an opportunity now to explain it to everybody in case you still are getting phone calls on it.

Jimmy Addison: Yes, I don't know we've had much of an inquiry about the thing. But we've got the provisions out there basically to protect us in the short term as it relates to working capital, if they were to default and had not paid a sub or something like that and we had to pick that work up through someone else, paid a sub, that kind of thing, the formula is to help in that transition. But it's based on quarterly projected payments for the year.

Mike Weinstein: Right. So it's basically a bond that's intended to finance a transition, more or less --

Jimmy Addison: That's right. That's right.

Mike Weinstein: -- if needed, right? Okay. Thank you.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 62 of 77

Operator: Stephen Byrd at Morgan Stanley.

Stephen Byrd: Just wanted to check in with you all on the status of the Sandman project in China, just your latest thinking in terms of how that's progressing.

Steve Byrne: Stephen, we think that that's progressing fairly well according to their latest-announced plans. We anticipate that they are getting close to doing the cold-hydro. So their reactive coolant pumps have been installed, which was the last thing that they were waiting for at Sandman unit 1. Their plan calls for them to load fuel yet this year, so sometime probably in the late third or early fourth quarter. And then the testing from that point is really up to the utility. So it's less in Westinghouse hands than it is the utility's hands.

But certainly sometime we think early next year. I'm not sure if going commercial is the appropriate term for China, but they'll be on the grid making power.

Stephen Byrd: Great. That's all I had. Thank you very much.

Operator: Feliks Kerman at Visium Asset Management.

Feliks Kerman: Most of my questions have been asked. But if you guys can talk a little bit about the pipeline integrity program you guys have asked for. What is the size? the scope? How long do you expect that program to last for?

Jimmy Addison: Yes. So in our capital that we disclosed there for the three years, there's a good bit of integrity management related in that entire CapEx period over the next three years, and I suspect there could be some beyond that, too.

But roughly, about 50% of that CapEx is related to integrity management in 2016 through 2018. Now, some of that would be picked up with the midyear CWIP in the rate base. So we'll get half of the year when we actually have the discussions with the North Carolina Commission staff in the middle of the year.

So we'll basically have the remaining half of 2016 and 2017 and 2018, so. But it's roughly half of it relates to integrity management.

Feliks Kerman: Okay. That's all I had. Thank you.

Operator: Travis Miller at Morningstar.

Travis Miller: You answered most of my clarifying questions on the nuclear stuff, BLRA, et cetera. Wondering, on the gas side, obviously you had really strong customer growth. Was wondering what that was doing to gas usage. And also then, the next step to gas margins at those businesses.

Jimmy Addison: Yes. Well, Travis, in the 2 LDCs, they really get handled through mechanisms in different ways. So in North Carolina there's the decoupler that handles any change in consumption and weather, et cetera. And then it doesn't handle rate base, which is why we have a rate case that we filed there now.

In South Carolina, we have the Rate Stabilization Act, which is basically a streamlined rate review that happens after every heating season at the end of March, and if there's more than 50 basis points variance,

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 63 of 77

and it's adjusted in November. So it's really considered through both of those mechanisms, even though they differ a little in their process.

Travis Miller: Okay. And then that customer growth, if we see that kind of 2.5% type rate, does that mean substantial investment opportunity, either distribution or other, other value chain parts over the next couple years in addition to what you've already planned?

Jimmy Addison: Yes. Well, I wouldn't say a lot more than what we've planned. So what we've got in the plan now contemplates it. So in North Carolina and South Carolina, they differ somewhat. In South Carolina, we own very little of the transmission system. Of course, we used to own more of it through a different subsidiary, but we sold that a year ago.

There is still some transmission in the South Carolina Electric and Gas gas system, but it's not a tremendous amount. There's certainly distribution growth there in the South Carolina system. But that's not a significant amount above and beyond the depreciation that applies to that business each year.

In North Carolina, it's a different story because of significant transmission enhancements that are going on. Now, I actually visited one of those projects a couple of weeks ago, and it's a significant pipeline investment that's going on, and it's going extremely well, the majority of it, on existing right-of-way in western North Carolina.

Travis Miller: Okay. And that could lead to distribution investment options?

Jimmy Addison: Yes. I mean, the majority of this is related to growth in the territory. The areas we serve are growing very well. A lot of transmission enhancement in the next couple years will be up in the Research Triangle area, too, in addition to western North Carolina, because a lot of the industrials are really going, for example, the research universities are all going to complete gas supply as opposed to other fuels.

So I don't know that there's tremendous new frontier kind of distribution opportunities, but I think there's a lot of industrials that are really pushing it. Gas-fired electric generation, too.

Travis Miller: Okay, great. Thanks a lot.

Operator: (Operator Instructions) Dan Jenkins, State of Wisconsin Investment Board.

Dan Jenkins: I was wondering if you could give a little color on the, you had the $0.04 year-over-year for O&M. And I was just wondering, what's driving that? Is that timing or is that something that's going to continue on a comparison basis going forward?

Jimmy Addison: No, it's fairly consistent with our internal budget. It is a little more lumpy there in the first quarter. We don't expect it to be that significant throughout the year. The most significant thing is, we make compensation adjustments in the middle of the first quarter, so you've got some of that coming through.

And also, of the incentive-based compensation, the part that's driven off share price, has obviously been more than we had expected. And I guess that's a high-class problem to have with the stock performing pretty well, especially against the peer group over the last quarter.

Dan Jenkins: Okay. And then, I think you mentioned on the nuclear that the current critical path item is the shield building. And I know that in your report that you filed in February, that was mentioned there

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 64 of 77

as well. I was just wondering if you could update us on the status of that in terms of the components that are being fabricated, and so forth.

Steve Byrne: Yes. Dan, the shield building is going probably better than we had anticipated. Our concern for the shield building really came from the contractor, their concerns, and at the time, that was Chicago Bridge and Iron. Now, Fluor has taken over. But we still retained the CB&I Services crew that is doing that welding. So even though CB&I Power exited the Consortium, the CB&I Services folks who are doing the containment vessel welding and the shield building welding stay. They're doing a tremendous job.

So we've got, there's about 16 courses of this steel that goes up to form the shield building. You'd lay a course at a time, weld it together, then fill that course with concrete. So we've got three of those courses that have been placed, welded, and filled with concrete. The fourth course has been placed, it's being welded. We anticipate filling that with concrete sometime in the next couple weeks.

The deliveries are coming in from an entity called Newport News Industrial, or NNI, in Virginia. And those folks are working very hard to meet our schedule. And we're looking at diversifying that supply chain a little bit by perhaps moving some of those modules to another vendor to free up a little bit of space at NNI.

So overall, I'd say the shield building's going a little better than we expected.

Dan Jenkins: How many of those components are you still waiting on for the shield building?

Steve Byrne: I would say that for the first unit, unit 2, we've probably got two-thirds of the shield building panels that we need. And for the trailing unit, unit 3, we probably have about a third of them in. So we're still waiting on about two-thirds.

Dan Jenkins: Okay. And then on unit 3, what's the current critical path item for that unit?

Steve Byrne: It runs through the shield building as well, Dan. So it's still shield building. Either unit we're talking about, it runs through the shield building.

Dan Jenkins: Okay. That's all I had. Thank you.

Operator: Paul Patterson, Glenrock Associates.

Paul Patterson: Just wanted to ask you about the fixed-price option. And if you were to select that, what the impact is in terms of does it change the way the payments would go? Could you just elaborate a little bit more on that?

Steve Byrne: Yes. Paul, from a payment perspective, as Jimmy alluded to earlier, we are changing the way that we make the payments. Heretofore, we've had payments based on either hitting milestones or what we call progress payments. Progress payments is a bit of a misnomer. It really wasn't tied to actual progress.

So we've changed that. And when we go forward, we are negotiating a milestone payment schedule. So it's a construction milestone payment schedule, which will have us paying only for milestones achieved.

Paul Patterson: Okay. But, I mean, I guess what I'm wondering is, in terms of the -- you guys have not decided on whether or not you're going to go for the fixed-price option, is that correct?

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 65 of 77

Steve Byrne: That's correct.

Paul Patterson: Okay. And if you were to go for it, does that change the payments or does that change the schedule on payments? Do you pay anything upfront or is it pretty much the same way? Would you be paying over the same time frame, pretty much the same amount with this milestone? That's it.

Steve Byrne: Yes. So, Paul, what we've done is we've got an estimate for what is the non-fixed-price option. If we elect the fixed-price option, there's an added cost that comes with taking that risk away, if you will. And so what we'll do is we'll just pay that additional cost. It'll be stretched out over the entire project. So it won't necessarily be front-end loaded. We're just picking the milestones which indicate real progress. We'll attach payment to those milestones. And when Westinghouse hits those milestones, we'll make payment to them.

But the additional cost just gets spread out over the remainder of the project.

Paul Patterson: Okay. That's it for me. Thanks so much.

Operator: Andy Levi at Avon Capital.

Andy Levi: I guess I'm just going to go back to Toshiba, I think, because I just want to get something clarified. Because if you were to choose the fixed-cost option, which seems to be the right way to go, and, obviously, you got rid of CBI, so, now, that was a very good thing that you guys did, and have Fluor in there.

But given Toshiba's continued financial issues and concern about the company's -- or our concerns and I guess sell-side analyst concerns about the long-term viability of the company, can you tell us what type of protections you have in place to protect SCANA and the Summer project from Toshiba's potential insolvency relative to the fixed-cost contract and their ability to execute it on that?

And then, can you get more into also the surety bond that you have, the amount that you have, and how that would work if you had to call on that, because we saw that with Portland General having to call on their surety bond with Abengoa, and it just wasn't that simple. Thank you.

Steve Byrne: All right. Andy, this is Steve. Let me start, and I'll want Jimmy to finish maybe a little bit on the surety bond. But the surety bond, as he pointed out earlier, was there really to create kind of a soft landing. So it would pay vendors that were in process and allow us to, in a systematic logical fashion, wind the project down to the point where Toshiba and/or Westinghouse could exit.

Now, if we're presuming some kind of insolvency or bankruptcy, you'd also have to presume that Westinghouse doesn't survive that. And so with that provision, and, as you're aware, there can be various kinds of bankruptcy and it doesn't necessarily mean that the contractor stops working.

But, so we're working hard to make sure that we're not in advance of payments. And then we have information which includes source codes, software, and proprietary design information that's being escrowed. And the bankruptcy or insolvency would be one of the triggers that gives me that information, and then we would look to finish the plant on our own.

We could do that one of a couple of ways. We could either act as our own general contractor, which we would be more comfortable doing now than when we originally signed up for the project since we've made so much progress, and we understand this construction progress. And we would go out and get a

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 66 of 77

subcontracted construction vendor, presumably Fluor since they're already onsite, already familiar with the means and methods and know the project, or we could EPC it again. So we could give it to an EPC contractor. Certainly, Fluor would be in a good position. They are an EPC contractor, so we could give it to them.

The important part to me is that I have the information that I need to be able to finish the plant on my own, and that's the whole reason why we're escrowing.

Andy Levi: Well, but I guess the issue that I see, though, is, I guess the thing that was a big positive was this fixed-cost contract, right, because it kind of eliminates certain downside above the $500 million escalation in the cost of the contract.

And so if that contract is with an entity that is not a good counterparty, that fixed-cost contract is not really worth a lot, I guess. And that's what I'm really getting at, is not as much the ability to finish the plant or the construction aspect of it, but the ability to control the cost if, in a negative case, Toshiba doesn't have the money to pay above the $500 million escalation that you're willing to pay in a fixed-cost option.

Jimmy Addison: Well, as I said earlier, Andy, what we have on our side, though, is some time to watch how they progress and to see how that's going. I mean, we've got another six months before we got to make this call.

They have said publicly that this business is one of three key areas of focus for them, and they're shedding the other businesses. They brought in $6.5 billion, or will as soon as those sales close here shortly.

Everything they've said they're going to do, it appears they've done to this point in a very efficient manner. So we've got several more months to watch this and monitor the situation.

Andy Levi: Yes. I just get concerned because I see the stock trading a little over a dollar.

And then just on the surety bond, could you just go over that and the amount of that and how that would work and who would be paying you?

Jimmy Addison: Yes. So it can be either in a surety bond or in letters of credit. We've allowed them to provide that through letters of credit. And we're comfortable with the counterparties there. And it is an annual calculation based upon the estimated quarterly payments in the next year. So we've made that calculation for 2016. We've elected it. And those letters of credit are in place now.

Andy Levi: And who's the letter of credit -- is it funded, the letter of credit? How does that work?

Jimmy Addison: It's a letter of credit in case they default on any of the provisions.

Andy Levi: And that's for $100 million? Is that for $100 million?

Jimmy Addison: It's at a maximum of $100 million, based upon the projected cash flows of the year that's applicable. And so it will change each year.

Andy Levi: And then as far as on the creditor side, because Southern also has a fixed-cost contract, according to them, I mean, I guess -- I mean, who would get paid first? I guess we don't know that, right? I mean, because Southern would have the same issue.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 67 of 77

Jimmy Addison: No, no, no. This is backed by --

Andy Levi: I don't mean on the surety bond. I'm talking about as far as the ability for Toshiba to perform on a fixed-cost contract.

Jimmy Addison: Yes. I can't answer that.

Steve Byrne: Right.

Andy Levi: Okay. Thank you very much.

Operator: Claire Tse at Wolf Research.

David Paz: Actually, it's David Paz. Just a quick question on your long-term growth rate. What earned ROEs are you assuming both at the SCE&G business and the PSNC business?

Jimmy Addison: Yes. So at SCE&G, David, we're consistent on the base business at above 9% is our strategy to stay out of any base rate increases outside of the BLRA. And the BLRA, of course, is at 10.5%.

And at PSNC, we've got a current allowed 10.6%.

David Paz: Okay. So even in the PSNC case, we should think about even though rate base is growing faster than in the past, you still anticipate somewhere in that mid-10s earned ROE through your growth -- through the period of your long-term growth rate?

Jimmy Addison: Well, we've asked for 10.6% in the case. We'll have to wait and see how that situation comes out either through negotiations or through hearing with the Commission. But we'll know that within six months.

David Paz: Okay. And then also with respect to your growth rate, what sales growth are you assuming through that period?

Jimmy Addison: That's about --

David Paz: On the electric side.

Jimmy Addison: It's about 1.2%.

David Paz: 1.2%, okay. That's a CAGR?

Jimmy Addison: Yes.

David Paz: Okay. Okay, great. Thank you.

Operator: Andrew Weisel at Macquarie Capital.

Andrew Weisel: Thank you. I just want to clarify timing of this nuclear fixed option, if you do exercise it or not. It seems to me like there are a couple different steps here, and I just want to understand when we can expect each and what order.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 68 of 77

So you're going to make a decision. You're going to file with regulators. You're going to tell us about it. And you're going to officially exercise the option with the contractors.

Is that the right order? And what might the timeline of those four pieces look like?

Jimmy Addison: Andrew, what we said is we're going to make that decision sometime in the second quarter. Then we will file. Between the filing and the Public Service Commission rendering an opinion in the six months, and in that intervening six months, we will file testimony. There'll be testimony filed from any interveners. And then we'll have a hearing, which will be a public hearing.

We have until November the 1st, to let Westinghouse know whether we have opted for that fixed-price option, and we can do that basically any time from now until November the 1st.

Steve Byrne: And I would just add, we're going to let you know exactly concurrently with the time we file.

Andrew Weisel: Okay. So the filing could come very shortly after you make your decision, and that process can be underway by the time you officially exercise the option with Westinghouse?

Jimmy Addison: Yes, I would think that it would be well underway before we officially exercise the option with Westinghouse.

Andrew Weisel: Okay. Thank you.

Jimmy Addison: Of course, the option with Westinghouse is subject to regulatory approval.

Andrew Weisel: Right. Good point. Then in terms of updating the CapEx and financing costs, would that update come only in the next quarterly earnings call or potentially when you announce to us that you've made a decision and are filing with regulators one way or the other?

Jimmy Addison: Yes. So there's two different moving parts there. One is which option? Do we go with just the amended contract or do we go with the fixed option?

The second moving part to that is getting the revised payment schedule worked out between us and the contractor.

So those two don't necessarily happen at the same time. So it may be that we are in a position and make the filing and notify you of which option we've chosen, but haven't yet completely agreed on the payment schedule. So we can't completely update the CapEx schedule until we get both of those done.

Andrew Weisel: What's the least time that you would get the updated payment schedule?

Jimmy Addison: I don't know a firm answer on that. I mean, because it could be that we have to use this option of the -- I don't know this. But it could be we have to use this Resolution Board to resolve any differences we have there. So that could add some time on the end of it.

But I would hope all of that we would -- Steve, is it reasonable to say we hope to get all that done this year?

Steve Byrne: Yes, absolutely.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 69 of 77

Jimmy Addison: Yes.

Andrew Weisel: All right. Great. Looking forward to a decision. Thank you.

Operator: Feliks Kerman at Visium Asset Management.

Feliks Kerman: Jimmy, just to clarify on that last question, because the petition process takes six months for approval, is it fair to say that the associated increased equity needs would come more like a 2017 item at the end of the petition or more of an upfront-related issuance? Any color on the timing?

Jimmy Addison: We don't know of anything at this point that says we need any equity until 2017, at the earliest. Recall, we sold these two subsidiaries last year, realized about $425-plus million of cash after tax from that.

So in the short term, we've used that to defray some debt. But we've got plenty of that to sustain us through 2015.

Feliks Kerman: And that's even if you --

Jimmy Addison: Excuse me. 2016.

Feliks Kerman: -- select the fixed-price option?

Jimmy Addison: Yes. Excuse me. 2016. Again, I don't know what the revised payment schedule's going to be. So we just don't have that at this point. So we would have to have that. But nothing we know at this point says we've got anything additional related to that. Steve said earlier, we're planning on paying the, if we elected the fixed price, we would pay that ratably over the remaining life of the construction. It's not a lump payment.

Feliks Kerman: Okay. Thank you, guys.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison for closing remarks.

Jimmy Addison: Well, thank you. And we look forward to finalizing this decision on the fixed-price option and the subsequent petition to be filed with the PSC.

We continue to focus on our new nuclear construction and on operating all of our businesses in a safe and reliable manner. And we thank you for joining us today and for your interest in SCANA. Have a good day.

Operator: This conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 70 of 77

Redacted - Privilege

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 71 of 77

Redacted - Privilege

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 72 of 77

Redacted - Privilege

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 73 of 77

Redacted - Privilege

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 74 of 77

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Respectfully Submitted,

Nuclear Project Securitization Team

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November 28, 2016

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 75 of 77

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South Carolina Electric & Gas Company Elects Fixed Price Option and Requests Update to Construction and Capital Cost Schedules for New Nuclear Units

Cayce, S.C., May 26, 2016... SCANA Corporation (NYSE:SCG, the Company) subsidiary South Carolina Electric & Gas Company (SCE&G), today filed a petition with the Public Service Commission of South Carolina (SCPSC) seeking approval to update the capital cost schedule as well as the construction milestone schedule for V.C. Summer Units 2 and 3, the two Westinghouse AP1000 nuclear plants being constructed at the V.C. Summer Station in Jenkinsville, S.C. (Project). Within this petition, SCE&G has informed the SCPSC that it has notified Westinghouse that it will elect the Fixed Price Option under the October 2015 Amended Engineering, Procurement, and Construction (EPC) Contract, subject to formal concurrence by Santee Cooper and the approval of the SCPSC. Once this exclusive and irrevocable option becomes effective, it will amend the EPC Contract to fix, as of June 30, 2015, substantially all of the costs to be paid for the remaining scope of the Project.

The construction schedule reflected in the petition indicates a guaranteed substantial completion date for Unit 2 of August 2019 and a guaranteed substantial completion date for Unit 3 of August 2020. These dates were established by Westinghouse in the October 2015 Amended EPC Contract. Subsequent to the signing of this Amended EPC Contract, Westinghouse hired Fluor as the subcontracted construction manager for the project. This petition reflects an increase in SCE&G's total Project costs of approximately $852 million (a reconciliation of these additional costs can be found below) over the $6.827 billion approved by the SCPSC in Order No. 2015-661. This increase includes approximately $505 million that is directly related to the fixed price option. The total project cost is now estimated at approximately $7.679 billion including owner's cost, transmission, escalation and allowance for funds used during construction.

"Construction of the two new nuclear units continues to progress," said SCANA Chairman and CEO Kevin Marsh. "Fluor has proven to be an asset to the Project team and the vast majority of the major components and equipment have been received onsite. Completing these plants is imperative to bring clean, safe, and reliable electricity to meet the long-term energy needs of South Carolina. The Fixed Price Option provides substantial value to our customers, investors, and the Company by limiting the risk of future cost increases."

Based upon today's filing, and statutory requirements, SCE&G anticipates receiving an order no later than November 28, 2016. The interim dates for parties' testimony and the hearing on the petition will be established by the Commission. The petition will be available on the Company's website, www.scana.com, as well as the SCPSC's website.

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 76 of 77

PROFILE

SCANA Corporation, headquartered in Cayce, S.C., is an energy-based holding company principally engaged, through subsidiaries, in electric and natural gas utility operations and other energy-related businesses. The Company serves approximately 702,000 electric customers in South Carolina and approximately 1.3 million natural gas customers in South Carolina, North Carolina and Georgia. Information about SCANA and its businesses is available on the Company's website at www.scana.com.

Reconciliation of Petition to Order No. 2015-661 (SCE&G's 55%):

Costs to Exercise the Fixed Price Option	($ millions)	
EPC Contract Costs		
Amended EPC Costs	$ 137	
Reversal of Previously Considered Liquidated Damages	86	
Fixed Price Option Costs	505	
Change Orders	53	
Subtotal of EPC Contract Costs		$ 781
Owner's Costs		21
Transmission Costs		4
Total Increase in Costs to Exercise the Fixed Price Option		$806
Escalation		3
AFUDC		43
Total Increase in Project Costs		$852

ELECTRONICALLY FILED - 2018 September 24 9:09 PM - SCPSC - Docket # 2017-370-E - Page 77 of 77

SAFE HARBOR STATEMENT

Statements included in this press release which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" for purposes of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, but are not limited to, statements concerning key earnings drivers, customer growth, environmental regulations and expenditures, leverage ratio, projections for pension fund contributions, financing activities, access to sources of capital, impacts of the adoption of new accounting rules and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "forecasts," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" or "continue" or the negative of these terms or other similar terminology. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: (1) the information is of a preliminary nature and may be subject to further and/or continuing review and adjustment; (2) legislative and regulatory actions, particularly changes in electric and gas services, rate regulation, regulations governing electric grid reliability and pipeline integrity, environmental regulations, and actions affecting the construction of new nuclear units; (3) current and future litigation; (4) changes in the economy, especially in areas served by subsidiaries of SCANA; (5) the impact of competition from other energy suppliers, including competition from alternate fuels in industrial markets; (6) the impact of conservation and demand side management efforts and/or technological advances on customer usage; (7) the loss of sales to distributed generation, such as solar photovoltaic systems; (8) growth opportunities for SCANA's regulated and other subsidiaries; (9) the results of short- and long-term financing efforts, including prospects for obtaining access to capital markets and other sources of liquidity; (10) the effects of weather, especially in areas where the generation and transmission facilities of SCANA and its subsidiaries (the Company) are located and in areas served by SCANA's subsidiaries; (11) changes in SCANA's or its subsidiaries' accounting rules and accounting policies; (12) payment and performance by counterparties and customers as contracted and when due; (13) the results of efforts to license, site, construct and finance facilities for electric generation and transmission, including nuclear generating facilities; (14) the results of efforts to operate the Company's electric and gas systems and assets in accordance with acceptable performance standards, including the impact of additional distributed generation and nuclear generation; (15) maintaining creditworthy joint owners for SCE&G's new nuclear generation project; (16) the ability of suppliers, both domestic and international, to timely provide the labor, secure processes, components, parts, tools, equipment and other supplies needed, at agreed upon quality and prices, for our construction program, operations and maintenance; (17) the results of efforts to ensure the physical and cyber security of key assets and processes; (18) the availability of fuels such as coal, natural gas and enriched uranium used to produce electricity; the availability of purchased power and natural gas for distribution; the level and volatility of future market prices for such fuels and purchased power; and the ability to recover the costs for such fuels and purchased power; (19) the availability of skilled, licensed, and experienced human resources to properly manage, operate, and grow the Company's businesses; (20) labor disputes; (21) performance of SCANA's pension plan assets; (22) changes in tax laws and realization of tax benefits and credits, including production tax credits for new nuclear units; (23) inflation or deflation; (24) compliance with regulations; (25) natural disasters and man-made mishaps that directly affect our operations or the regulations governing them; and (26) the other risks and uncertainties described from time to time in the reports filed by SCANA or SCE&G with the SEC.

SCANA and SCE&G disclaim any obligation to update any forward-looking statements.